PRESS RELEASE

24 February 2022

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

STRONG NEW BUSINESS AND FINANCIAL PERFORMANCE

St. James's Place plc ("SJP") today issues its annual results for the year ended 31 December 2021:

Financial Highlights
- Underlying cash result £401.2 million (2020: £264.7 million)
- Underlying cash basic earnings per share of 74.6 pence (2020: 49.6 pence)
- EEV operating profit £1,545.4 million (2020: £919.0 million)
- EEV net asset value per share £16.57 (2020: £14.49)
- IFRS profit before shareholder tax £353.8 million (2020: £327.6 million)
- IFRS profit after tax £287.6 million (2020: £262.0 million)

Dividend
- Proposed final dividend of 40.41 pence per share (2020: 38.49 pence per share), resulting in full year dividend of 51.96 pence per share (2020: 38.49 pence per share)

Other Highlights
- Gross inflows of £18.2 billion (2020: £14.3 billion)
- Exceptional retention of client investments
- Net inflow of funds under management of £11.0 billion (2020: £8.2 billion)
- Funds under management of £154.0 billion (2020: £129.3 billion)
- We are now represented by 4,556 qualified advisers across the Partnership
- Achieved strong early progress against 2025 business plan ambitions

Andrew Croft, Chief Executive Officer, commented:
"In 2020, at the height of the pandemic, St. James's Place demonstrated real resilience during very difficult circumstances, thanks largely to the agility of our advisers and employees. Whilst 2021 was another extraordinary year, with society continuing to navigate lockdowns and disruptions caused by COVID-19, the roll-out of vaccination programmes saw many economies rebound strongly with investment markets recording positive returns.

Supported by this more favourable external environment and the desire by individuals to save and invest for the future, I am very pleased to report that St. James's Place had an excellent year. During 2021 we achieved record gross and net flows and these, together with positive investments markets, drove funds under management to an all-time high of £154.0 billion.

With controllable expense growth contained to 5%, we also delivered a strong financial outcome for the year, with the Underlying cash result of £401.2 million (2020: £264.7 million) being more than 50% higher than in 2020. Reflecting our policy of paying out around 70% of the Underlying cash result, the Board therefore proposes a final dividend of 40.41 pence per share, making for a full year dividend of 51.96 pence per share, up 35%.

Looking forward there is no doubt in my mind that the demand for face-to-face financial advice remains as strong as ever. In fact, as we emerge from the pandemic, I believe more people will be reassessing their life plans and be more likely to seek out a trusted adviser.

St. James's Place is ideally positioned to continue to benefit from this increasing demand for advice. We have a Partnership that continues to grow in scale bolstered in part from our Academy, a rigorous and well-proven investment management approach, modern and scalable infrastructure, and a unique culture and brand. I believe this combination stands us apart from other advisory firms and means we are well placed to continue to lead in our sector with the benefits that confers.

As we look ahead, our performance in 2021, taken together with the investments we are making for the future, means we remain confident in achieving our 2025 ambitions and continuing to prosper thereafter."

The details of the announcement are attached.

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2021 Full Year Results Presentation
Date: 24 February 2022
Time: 08:30 GMT
Duration: 2 hours

You will need to register for the event using the below link. You will receive an email with login details to access the webcast
Click here to register for the webcast

Q&A session:
The event will conclude with a live Q&A session with the Executive Board starting at 9:30am GMT. The event platform will remain open to view the Q&A, but if you wish to ask questions during this session please dial-in to the conference call line from 9:00am using the details below:

United Kingdom: 0800 640 6441
United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999

Participant Access code: 184010

*Press *1 to ask a question, *2 to withdraw your question, or *0 for operator assistance.*

Accessing the telephone replay
A recording will be available until **Thursday 3 March 2022**
UK: 020 3936 3001
USA: 1 845 709 8569
All other locations: +44 20 3936 3001
Access Code: 062439

Chair's Report

"St. James's Place plc is an organisation with considerable opportunity for further growth"

Introduction

I would like to begin my first review by thanking Iain Cornish for the significant contribution he made as a Non-executive Director and as Chair of the Company, and for his support during my induction as a Director and my transition to taking over as Chair. In St. James's Place plc, I have joined an organisation with considerable opportunity for further growth. Whilst self-investment platforms are a great choice for many, the complexity of people's personal finances and the scale of the UK savings gap mean there is increasing demand for advice. St. James's Place has a long-term track record of recruiting, developing and supporting financial advisers with the proven capability to provide clients with the personal advice and financial planning they require. This means we are well placed to help meet this growing demand. The provision of the right advice is only possible by building relationships with clients that enable advisers to develop a true understanding of their needs, and it is proper for this commitment to be recognised by proportionate and appropriate advice fees.

The Board

As was the case for many of us, the Board needed to adapt its ways of working in 2020 to function effectively during the pandemic. I am pleased that 2021 has seen us begin to return to normal, allowing Board members to spend valuable time together, which has been especially important for newer Directors, myself included. What I have found is a Board and organisation with a strong commitment to governance and a keen eye on risk, led by the work of the Board's Audit and Risk Committees.

The implementation of succession plans put in place by the Nomination and Governance Committee in the last few years has enabled St. James's Place to manage successfully the transition of Board membership during a period when a number of longer-serving Non-executive Directors reached the end of their tenures. Departures from the Board in 2021, combined with the need to consider succession in other key Non-executive roles on the Board, provided an opportunity for the Nomination and Governance Committee to further develop its succession plans. This resulted in John Hitchins joining the Board as a Non-executive Director in November, bringing with him a deep knowledge of the financial services sector, audit and financial reporting.

After 30 years with St. James's Place, 19 of which as a Director, Ian Gascoigne will retire from the Board on 31 March 2022. Ian was a founding member of the original management team and has made an enormous contribution to the success of St. James's Place over the years. On behalf of the Board, I would like to express my gratitude for his contribution and commitment to the Company and wish him success for the future. I would also like to take this opportunity to thank Baroness Wheatcroft and Baroness Morrissey DBE who both stepped down from the Board at the conclusion of our 2021 Annual General Meeting.

Performance

The resilience of the business and the Partnership was demonstrated in the robust full-year results we achieved in 2020. During 2021 the Board has been pleased by the performance of the Partnership and the business as a whole, which has enabled us to deliver an impressive set of results for the year. In addition to the strong new business growth achieved, I would highlight the successful management of expenses within the target we set at the beginning of the year. I would like to congratulate management not only on these results but also on their efforts to support our principal stakeholders as the pandemic continued to impact all corners of society and to influence how we do business. Our continued focus on quality of advice has been evident to the Board as management maintained its emphasis on robust business assurance controls and being alert to emerging threats. Whilst the pandemic forced us to make immediate changes to enable Partners and employees to support clients during the various lockdowns, the associated risks have been carefully managed and many of these changes now look likely to deliver longer-term benefits. Recognition of the importance of being easy to do business with, has helped shape our thinking around the use of technology to support our face-to-face advice model. In common with most organisations, we are considering the longer-term implications of the lockdown working environment, but what is clear to us is that person-to-person interaction and engagement remains at the heart of who we are and how we operate.

The Board's priorities and our strategy

When we announced our 2020 results, Andrew Croft set out our key planning assumptions for the next five years. In particular, he highlighted our ambition to grow new business by 10% per annum and contain growth in controllable expenses to no more than 5% per annum, together with an intention to pay out around 70% of the Underlying cash result in dividends to shareholders. The clear messages Andrew delivered alongside the results combined with the further information set out at our capital markets day held in May, provided our stakeholders with greater clarity on our medium-term strategy and our vision to be the best place to create long-term financial security. This clarity of messaging has been well received and feedback has been positive. At the half-year we declared an interim dividend of 11.55 pence per share and the Board is pleased to be able to recommend to shareholders a final dividend for 2021 of 40.41 pence per share (2020: 38.49 pence per share).

Engagement with our key stakeholders during 2021 has provided support for the Board's key focus areas:

The Partnership	Paramount amongst these is the health of the Partnership, upon which so much of our success rests. The Partnership thrives on personal interaction with clients and with each other and the emergence from lockdowns in 2021 has provided opportunities for our adviser community to physically re-engage with each other. Partner conferences have allowed advisers to share experiences with each other, further their development and provide valuable feedback to senior management.
Administration	Our clients share many of the changing needs and expectations of wider society, in particular when it comes to speed and accuracy of information and insight. Supporting our advisers by processing client transactions in a timely and accurate manner is critical to retaining clients and we continue to focus on how we can improve our back-office operations to make this even more efficient.
Digital	In this digital age our advisers and clients want to be able to leverage the benefits that technology can offer, to enhance their investment experience. The completion of the Bluedoor migration provided an essential foundation from which we are now developing a first-class digital proposition for clients and advisers alike.
Investment Performance	The performance and development of the investment proposition has remained a significant area of focus and we published our second Value Assessment Statement (VAS) during the year. This VAS provided evidence of the progress made against the action plan established in the previous year as well as highlighting where further action is required. The metrics underpinning the VAS have provided the basis on which the Board has been able to monitor investment management performance throughout the year.
Rowan Dartington and Asia	In last year's Annual Report we highlighted how important it was for the companies we had acquired in recent years (Rowan Dartington and SJP Asia) to be able to reach break-even if they were to deliver long-term benefit to the Group. The Board has continued to monitor progress throughout the year and we are pleased that both businesses remain on track to achieve the targets set out at that time.

Our culture and responsibilities

We remain immensely proud of the unique culture that has been built up over the last 30 years and the Board recognises how important it is to sustain this culture if St. James's Place is to continue to generate long-term value for all its stakeholders. Like so many organisations, the past few years have provided an opportunity to reflect on what it means to be a responsible business. For St. James's Place, this is directly linked to our core purpose of giving people confidence to create the futures they want. In turn, this also speaks to our deep culture of giving back and doing the right thing. But the views of our stakeholders are vitally important in helping us to articulate and inform how we take this into the future. We remain committed to supporting our own Charitable Foundation but have also taken time to understand and consider other areas that are material to us when it comes to being a responsible business. As one of the UK's leading investment businesses with some £150 billion of clients' funds under management we understand that we have an important role to play.

Recognising that our responsibilities permeate through our strategy and everyday activities, we are deliberately taking a measured and considered approach to ensure we have the necessary rigour around our decision-making in this area and we will review and, where appropriate, enhance our goals and targets.

Concluding remarks

I have already congratulated management on the results achieved in 2021, which would not have been possible if it were not for the efforts of our advisers, supported by our employees and suppliers. After a difficult 2020, during which the business performed admirably, this year we have seen the hard work and commitment of the whole St. James's Place community deliver further evidence of our potential for future growth. I would also like to thank my Board colleagues for their warm welcome and support throughout 2021. I look forward to welcoming shareholders to this year's Annual General Meeting which will be held on 19 May 2022.

PAUL MANDUCA
Chair

23 February 2022

Chief Executive's Report

Introduction
In 2020, at the height of the pandemic, St. James's Place demonstrated real resilience during very difficult circumstances, thanks largely to the agility of our advisers and employees. Whilst 2021 was another extraordinary year, with society continuing to navigate lockdowns and disruptions caused by COVID-19, the roll out of vaccination programmes saw many economies rebound strongly with investment markets recording positive returns.

Supported by this more favourable external environment and the desire by individuals to save and invest for the future, I'm very pleased to report that St. James's Place had an excellent year.

Operating and financial performance
During 2021 we saw strong growth in new client investments with gross inflows for the year totalling £18.2 billion, up 27% on the prior year. Our advisers continued to work hard to give clients confidence in their futures, underpinning another exceptional period for retention rates of client investments, which were the highest we have seen in our history. This contributed to net inflows totalling £11.0 billion, up 34% year-on-year and equivalent to 8.5% of opening funds under management.

The combination of these net flows and robust investment markets resulted in funds under management increasing by 19% to a record £154.0 billion at the end of the year.

With controllable expense growth contained to 5%, we delivered a strong financial outcome for the year, with the Underlying cash result of £401.2 million (2020: £264.7 million) being more than 50% higher than the prior year.

Dividend
In the 2025 business plan announced last year, we committed to a policy of paying out around 70% of the Underlying cash result in dividends to shareholders. The strong growth in the Underlying cash result therefore drives a total dividend of 51.96 pence per share for the year, an increase of 35% over the 2020 full year dividend.

Strategic progress
In February 2021, we set out four key assumptions that underpinned our 2025 business plan and I am delighted to report that we have made strong early progress against each of them. During 2021 we:

- delivered 27% growth in gross inflows compared with our compound growth target of 10% per annum
- retained 96% of client investments*, slightly better than our 95% objective
- contained controllable expense growth to 5% in line with our 5% per annum target
- achieved funds under management of £154.0 billion, leaving us well placed against our £200 billion target by the end of 2025

Having made such a strong start on our journey, we are confident in our ability to deliver against the ambitions in our 2025 business plan.

During the year we have also made real progress in delivering against the six business priorities that will underwrite a successful future for St. James's Place:

1. Building community
A thriving SJP community is critical to supporting great outcomes for our clients and other stakeholders. We're therefore pleased to have grown the Partnership with the addition of a net 218 new advisers during the year through a combination of recruitment of experienced financial advisers and the graduation of advisers through our Academy programmes. We are also delighted with the progress we are making with our learning and development programmes for the Partnership and employees. Technology is enabling us to create more user-friendly, on-demand content and to innovate using tools such as virtual reality to supplement more traditional learning practices.

The investments we have made in our technology infrastructure and the breadth of our offering, mean our proposition for advisers is stronger than ever. This, together with the growing scale of our Academy intakes where we now have more than 350 new advisers in training, means we are well positioned to continue growing the Partnership over the coming years.

At the beginning of 2021 we implemented a restructuring exercise to ensure we are deploying our resources in the best way possible for the future. We know this was unsettling for colleagues, so we have been working hard to ensure that we continue to develop our people and make them feel valued for the contribution they make to the success of our business.

More broadly, the pandemic has presented challenges for individuals across our entire community. We have been focused on supporting our teams at a time when it has not been easy to have physical group gatherings, which are such an important component in building and maintaining a community spirit. With the lifting of COVID-19 restrictions we look forward to getting our community together again so that we strengthen the sense of belonging we have always fostered at St. James's Place.

* excluding regular income withdrawals and maturities

2. Being easier to do business with

As a growing business, we know that technology can streamline and optimise what we do and how we do it, transforming the experience we give our people and their clients.

In 2021 we continued the roll out of Salesforce across the Partnership, providing advisers with a best-in-class customer relationship management system that will help them do an even better job for clients, while supporting more efficient working practices.

At the same time, we have been building on the investment we made into our Bluedoor platform, to continue to drive better administration standards, accuracy and efficiency across our business.

Overall, we are pleased by the progress we are making with our technology roadmap and 2022 will be no different as we launch our next-generation app for clients.

3. Delivering value to advisers and clients through our investment proposition

We put our clients at the heart of our business with the aim of giving them confidence to create the futures they want. We deliver this by ensuring clients are supported by great financial advisers who establish long-term relationships built on trust, and by creating well-rounded propositions that meet their needs. Today, rising inflation is increasingly evident and this only accentuates the need to get this right.

Changes we have made in recent years have contributed to further improvements in the second of our annual Value Assessment Statement that we published during the year. There have been some significant changes to our range of funds, including the relaunch of our Global Equity fund, and we have made bold commitments on reducing the carbon footprint of client investments. Having already joined the Net-Zero Asset Owner Alliance and committed to being net zero by 2050, we have now set out an interim ambition of achieving a 25% reduction in our carbon footprint by 2025, underscoring our desire to create financial wellbeing in a world worth living in.

I am also thankful to our clients for entrusting their savings with St. James's Place and endorsing our business through voting for us in various industry awards.

4. Building and protecting our brand and reputation

In recent years we have worked hard to strengthen the perception of our business, so that when people think financial advice, they think St. James's Place. We have recently launched a refreshed brand identity for the company which we believe will help drive better awareness and trust, supporting our ambition to serve more clients in the future.

We have also been working to create an improved digital marketing strategy so that we can better help advisers to develop new client relationships, supporting our growth ambitions for the Group.

5. Our culture and being a leading responsible business

Our culture is a huge asset and in recent years we have focused on codifying this in order to preserve its positive features and be able to understand those areas where there is scope for further evolution. It is also important that we recognise and reward those within our community who exhibit the very best aspects of our culture and we have developed structures to achieve this.

We have always considered ourselves to be a responsible business and in 2021 we took this to the next level when we set out a new Responsible Business Framework to guide our thinking and prioritise our actions to maximise the positive impact we can have as a business. For St. James's Place this means focusing primarily on responsible investment, financial wellbeing, our community impact, and climate change. But our responsibilities extend beyond these key focus areas to others where we must also make sure we're doing the right thing such as being an inclusive and diverse employer, respecting and valuing human rights, and promoting responsible procurement.

The most visible aspect of our local activities is our continued support for the St. James's Place Charitable Foundation. This continues to be a source of enormous pride for all our people who recognise its hugely positive impact on the charities it supports. I am therefore delighted that our community raised a further £8.0 million for the Charitable Foundation in 2021, inclusive of Company matching.

6. Continued financial strength

The strong operational progress we made in 2021 has been reflected in a record financial result for the year. At the same time I am pleased that our businesses for the future, SJP Asia and Rowan Dartington, have performed well and remain on track to achieve the financial outcomes we set out as part of our 2025 business plan.

All of this enables our financial model to remain robust. We are well positioned to be able to continue to invest in our business to drive future growth while ensuring our balance sheet remains strong and we are able to deliver cash returns to shareholders over time.

Ian Gascoigne

Before I finish, I would like to take this opportunity to say a few words about Ian Gascoigne who is retiring on 31 March. Ian was with St. James's Place at the very beginning and has made an enormous contribution over the years, as well as being a great colleague. I am delighted that we will still be able to call on his wise counsel in the future.

Summary and outlook

I started my statement by saying St. James's Place had an excellent year and I hope shareholders agree. This outcome could not have been achieved without the excellent work and contribution of the whole St. James's Place community. I would therefore like to personally thank our advisers, their staff, all of our employees and the administration support teams for their continued hard work, dedication and commitment.

Looking forward there is no doubt in my mind that the demand for face-to-face financial advice remains as strong as ever. In fact, as we emerge from the pandemic, I believe more people will be reassessing their life plans and be more likely to seek out a trusted adviser.

St. James's Place is ideally positioned to continue to benefit from this increasing demand for advice. We have a Partnership that continues to grow in scale bolstered in part from our Academy, a rigorous and well-proven investment management approach, modern and scalable infrastructure, and a unique culture and brand. I believe this combination stands us apart from other advisory firms and means we are well placed to continue to lead in our sector with the benefits that confers.

As we look ahead, our performance in 2021, taken together with the investments we are making for the future, means we remain confident in achieving our 2025 ambitions and continuing to prosper thereafter.

ANDREW CROFT
Chief Executive

23 February 2022

Chief Financial Officer's Report

After the challenges of 2020, the operating environment in 2021 proved to be far more favourable for our business as global economies returned to growth, investments markets responded by registering positive gains, and consumer confidence recovered.

Our business performed strongly against this backdrop, with our advisers attracting £18.2 billion (2020: £14.3 billion) of new client investments, up 27% year on year. With client retention rates at all-time highs for the Group, net inflows totalled £11.0 billion (2020: £8.2 billion), up 34% against 2020 and equivalent to 8.5% (2020: 7.0%) of opening funds under management (FUM).

This new business performance, together with the positive impact of investment markets, resulted in FUM closing at a record £154.0 billion (31 December 2020: £129.3 billion), up 19% year-on-year.

Last February we set out the planning assumptions that underpin our business plan through to 2025. The results for 2021 demonstrate a strong start towards these goals of long-term new business growth of 10% per annum, consistent retention above 95%, and our resulting aim of reaching £200 billion of FUM by 2025.

Our financial performance across IFRS, the Cash result and European Embedded Value (EEV) has reflected the strength of new business during the year, growth in FUM during both 2020 and 2021, and the resulting growth in income. Meanwhile we have achieved strong cost control in line with the guidance we set out at the start of the year, which has contributed to positive operational gearing.

We have always taken a simple and prudent approach to managing the balance sheet and our capital requirements. This continues to be the case, with both the Group and our life companies in a strong financial position.

Our financial results are presented in more detail on pages 16 to 31 of the Financial Review, but there follows 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 £287.6 million in 2021 (2020: £262.0 million). Whilst **IFRS profit after tax** does not immediately benefit from strong years of new business, the result nonetheless is up 10% year-on-year. This reflects growth in FUM and stronger investment markets in 2021, offset by a partial and anticipated reversal of the **policyholder tax asymmetry** that benefitted the 2020 IFRS result in the presence of weaker markets. Further detail on this asymmetry is included in the Financial Review on page 16.

To address the challenge of policyholder tax being included in the IFRS results as income coupled with a corporate tax expense, we focus on **IFRS profit before shareholder tax** as our pre-tax measure. On this basis the result was £353.8 million for the year (2020: £327.6 million), up 8% year-on-year.

The IFRS result also includes the impact of non-cash accounting adjustments such as equity-settled share-based payment expenses, deferred income and deferred expenses, so we continue to supplement our statutory reporting with the presentation of our financial performance using two APMs: the Cash result and the EEV result.

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. They 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.

The **Cash result** of £387.4 million for 2021 (2020: £254.7 million) and the **Underlying cash result** of £401.2 million (2020: £264.7 million) are both up 52% year-on-year. These record results have been driven by a strong year of new business, buoyant investment markets and delivery of controllable expenses in line with our guidance. Further detail is set out below and in the Financial Review on pages 19 to 27.

During the year, the **net income from funds under management** was £577.5 million (2020: £455.9 million), representing a margin within our range of 0.63% to 0.65% (2020: 0.63% to 0.65%) on average mature FUM, excluding Discretionary Fund Management (DFM) and Asia FUM, in line with prior guidance. It is this mature FUM that contributes to the net income figure and at any given time it 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 therefore driven by 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 after a six-year period;

3. The retention of FUM; and

4. Investment returns.

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 following 'pensions freedom'. While this growth in new business is not reflected in net income from funds under management for the first six years of its existence, it bodes well for future income growth as larger cohorts of gestation FUM mature and begin making a positive contribution.

At 31 December 2021, the balance of gestation FUM stood at £49.3 billion (31 December 2020: £43.4 billion). Once this current stock of gestation FUM has all matured, it will (assuming no market movements or withdrawals, and allowing for the corporation tax rate change in 2023) contribute in excess of a further £390 million to annual 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 levied on gross inflows exceed new business-related expenses. The increase in margin arising from new business in 2021 largely reflects the increase in gross flows over the period, although the relationship between the two is generally directionally consistent rather than linear.

As part of the 2025 business plan, we set out our ambition to contain growth in **controllable expenses** to around 5% per annum. Controllable expenses, which are the categories shown in the table below (stated after tax), are a key metric for the business and we have delivered against the plan with these costs increasing by 5% to £264.6 million.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Establishment expenses	**200.3**	200.0
Development expenses (Operational and Strategic)	**54.0**	42.1
Academy	**10.3**	9.5
Controllable expenses	**264.6**	251.6

The strong growth in income, coupled with this delivery of controllable expenses in line with our guidance, has been the primary driver of a record **Underlying cash result** for the year of £401.2 million (2020: £264.7 million).

As we explained in our half-year results, this year we are recognising the one-off cost of a **restructuring** exercise associated with an employee redundancy programme in the year. The total expense is £9.7 million, with the modest increase from the first-half balance reflecting final costs against the half-year estimate.

In the second half of the year we recognised a further one-off cost of £4.1 million. During the year the International Financial Reporting Standards Interpretations Committee provided additional guidance on the recognition of software configuration costs. In line with the wider industry we have reflected this guidance in a **change in capitalisation policy.**

The **Cash result** in 2021 was therefore £387.4 million (2020: £254.7 million).

EEV

The **EEV operating profit** is sensitive to new business written within the year and the 27% growth in gross flows year-on-year is the main factor behind an increase in EEV operating profit to £1,545.4 million (2020: £919.0 million).

The **EEV profit before tax** for the period has been significantly impacted by the positive **investment return variance** of £894.5 million compared to the prior year (2020: £304.4 million). The positive return reflects increased market values across our FUM as a result of stronger markets over the course of 2021.

The **EEV profit after tax** of £1,452.7 million (2020: £822.5 million) reflects profit emergence as above, mitigated by the capitalised impact on future cashflows of the change in UK corporation tax from 19% to 25% on 1 April 2023.

The **EEV net asset value per share** was £16.57 at 31 December 2021 (31 December 2020: £14.49).

Financial position

Our IFRS Statement of Financial Position, presented on page 43, contains policyholder interests in unit-linked liabilities and the underlying assets that are held to match them. To understand the true assets and liabilities that the shareholder can benefit from, these policyholder balances, along with non-cash 'accounting' balances such as deferred income (DIR) and deferred acquisition costs (DAC), are removed in the Solvency II Net Assets balance sheet.

This balance sheet is straightforward and demonstrates that the Group has liquid assets of £1,858.8 million (2020: £1,527.1 million), of which £1,605.3 million (2020: £1,264.8 million) is invested in AAA-rated money market funds. This deep liquidity represents 52% of total assets on the Solvency II Net Assets balance sheet (2020: 47%). Further information about liquidity is set out on page 26.

Analysis of the key movements in the Solvency II Net Assets balance sheet during the year is set out on pages 25 to 27.

Solvency and capital

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 31 December 2021 we held surplus assets over the MSB of £727.3 million (2020: £717.3 million). We also ensure that our approach meets the requirements of the Solvency II regime where we have an approach, agreed with the Prudential Regulation 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 31 December 2021, the solvency ratio for our Life businesses after payment of the year-end intra-Group dividend was 115% (31 December 2020: 112%). For further details, refer to page 32.

Taking into account entities in the rest of the Group, the Group solvency ratio at 31 December 2021 was 134% (2020: 132%).

Dividends

In the 2025 business plan we announced last year, we committed to an approach of paying out around 70% of the Underlying cash result in dividends. The strong growth in our Underlying cash result for 2021 therefore drives a total dividend for 2021 of 51.96 pence per share, inclusive of a proposed final dividend of 40.41 pence per share.

The proposed final dividend will be paid, subject to approval by shareholders at our AGM, on 27 May 2022 to shareholders on the register as at the close of business on 29 April 2022. A Dividend Reinvestment Plan continues to be available.

CRAIG GENTLE
Chief Financial Officer

23 February 2022

Summary financial information

	Page reference	**Year ended 31 December 2021**	Year ended 31 December 2020
FUM-based metrics			
Gross inflows (£'Billion)	14	**18.2**	14.3
Net inflows (£'Billion)	14	**11.0**	8.2
Total FUM (£'Billion)	14	**154.0**	129.3
Total FUM in gestation (£'Billion)	15	**49.3**	43.4
IFRS-based metrics			
IFRS profit after tax (£'Million)	17	**287.6**	262.0
IFRS profit before shareholder tax (£'Million)	17	**353.8**	327.6
Underlying profit before shareholder tax (£'Million)	17	**384.4**	359.9
IFRS basic earnings per share (EPS) (Pence)		**53.3**	49.1
IFRS diluted EPS (Pence)		**52.5**	48.6
IFRS net asset value per share (Pence)		**207.1**	207.0
Dividend per share (Pence)		**51.96**	38.49
Cash result-based metrics[1]			
Controllable expenses (£'Million)	21	**264.6**	251.6
Underlying cash result (£'Million)	20	**401.2**	264.7
Cash result (£'Million)	20	**387.4**	254.7
Underlying cash result basic EPS (Pence)		**74.6**	49.6
Underlying cash result diluted EPS (Pence)		**73.5**	49.1
EEV-based metrics			
EEV operating profit before tax (£'Million)	28	**1,545.4**	919.0
EEV operating profit after tax basic EPS (Pence)		**219.9**	139.0
EEV operating profit after tax diluted EPS (Pence)		**216.5**	137.5
EEV net asset value per share (£)		**16.57**	14.49
Solvency-based metrics			
Solvency II net assets (£'Million)	32	**1,245.3**	1,218.6
Management solvency buffer (£'Million)	32	**518.0**	501.3
Solvency II free assets (£'Million)	32	**1,323.4**	1,110.8
Solvency ratio (Percentage)	32	**134%**	132%

1) As we explained in the Half-Year Report and Accounts 2021, for the year ended 31 December 2021 we have re-shaped our presentation of the Cash result to aid shareholders. This adapts our reporting to our guidance on expense growth, which has a new focus on controllable expenses. As a result, controllable expenses are a new alternative performance measure (APM), and the Operating cash result, an APM in previous years, has been removed. The Operating cash result no longer provides relevant information as it includes some, but not all, controllable expenses.

The Cash result should not be confused with the IFRS 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

As set out below, 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 14 and 15

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 16 to 31

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 32 and 33

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:

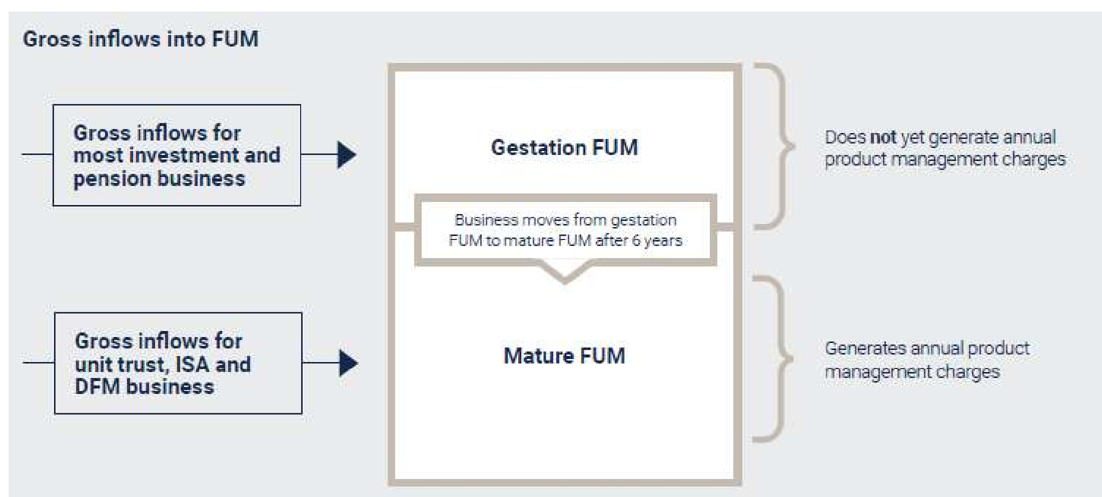
- advice charges for the provision of valuable, face-to-face advice; and
- product charges for our manufactured investment, pension and ISA/unit trust products.

Further information on our charges can be found on our website: **www.sjp.co.uk/charges**. A breakdown of our fee and commission income, our primary source of revenue under IFRS, is set out in Note 4 on page 49.

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 taken 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 as 'mature' FUM. More information about our FUM and the fees we earn on it can be found in Sections 1 and 2 of the Financial Review on pages 14 and 20.

Initial and ongoing advice charges, and initial product charges levied when a client first invests into one of our products, are not major drivers of the Group's profitability, because:

- most advice charges received are offset by corresponding remuneration for Partners, so an increase in these revenue streams will correspond with an increase in the associated expense and vice versa; and
- under IFRS, initial product charges are spread over the expected life of the investment through deferred income (DIR – see page 18 for further detail). 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.



Our income is used to meet overheads, pay ongoing product expenses and invest in the business. Controllable expenses, being the costs of running the Group's infrastructure, the Academy and development expenses, are carefully managed in line with our 2025 business plan ambition to limit their growth to 5% per annum. Other ongoing expenses, including payments to Partners, increase with business levels and are generally aligned with product charges.

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 2021 and 2020. Investment return is presented net of charges.

	2021				2020
	Investment	**Pension**	**UT/ISA and DFM**	**Total**	Total
	£'Billion	**£'Billion**	**£'Billion**	**£'Billion**	£'Billion
Opening FUM	**32.22**	**61.31**	**35.81**	**129.34**	116.99
Gross inflows	**2.62**	**9.86**	**5.72**	**18.20**	14.33
Net investment return	**2.89**	**6.89**	**3.83**	**13.61**	4.10
Regular income withdrawals and maturities	**(0.28)**	**(1.72)**	**–**	**(2.00)**	(1.62)
Surrenders and part-surrenders	**(1.50)**	**(1.51)**	**(2.15)**	**(5.16)**	(4.46)
Closing FUM	**35.95**	**74.83**	**43.21**	**153.99**	129.34
Net inflows	**0.84**	**6.63**	**3.57**	**11.04**	8.25
Implied surrender rate as a percentage of average FUM	**4.4%**	**2.2%**	**5.4%**	**3.6%**	3.6%

Included in the table above is:

- Rowan Dartington Group FUM of £3.52 billion at 31 December 2021 (31 December 2020: £2.86 billion), gross inflows of £0.55 billion for the year (2020: £0.43 billion) and outflows of £0.14 billion (2020: £0.15 billion); and
- SJP Asia FUM of £1.57 billion at 31 December 2021 (31 December 2020: £1.17 billion), gross inflows of £0.36 billion for the year (2020: £0.32 billion) and outflows of £0.10 billion (2020: £0.06 billion).

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

	FUM as at 1 January	**Net inflows**	**Investment return**	**Other movements[1]**	**FUM as at 31 December**
Year	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**
2021	129.3	11.0	13.7	–	154.0
2020	117.0	8.2	4.1	–	129.3
2019	95.6	9.0	12.4	–	117.0
2018	90.7	10.3	(5.4)	–	95.6
2017	75.3	9.5	6.2	(0.3)	90.7
2016	58.6	6.8	8.7	1.2	75.3

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 31 December.

	31 December 2021		31 December 2020	
	£'Billion	**Percentage of total**	£'Billion	Percentage of total
North American equities	47.3	31%	31.3	24%
Fixed income securities	25.4	16%	22.7	18%
UK equities	21.5	14%	18.7	14%
Asia and Pacific equities	18.6	12%	19.9	15%
European equities	17.8	11%	13.9	11%
Alternative investments	11.9	8%	10.3	8%
Cash	5.9	4%	7.0	5%
Property	2.6	2%	2.5	2%
Other	3.0	2%	3.0	3%
Total	**154.0**	**100%**	129.3	100%

1.2 Gestation

As explained in our financial business model on page 12, 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 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 enters 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 51% of gross inflows for 2021, after initial charges, moved into gestation FUM (2020: 55%).

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 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.

	Mature FUM contributing to the Cash result	**Gestation FUM that will contribute to the Cash result in the future**	**Total FUM**
Position as at	**£'Billion**	**£'Billion**	**£'Billion**
31 December 2021	104.7	49.3	154.0
31 December 2020	85.9	43.4	129.3
31 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

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 £49.3 billion at 31 December 2021 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 emergence in the Cash result will reflect the varying business mix of the relevant cohort and business experience.

	Gestation FUM future contribution to the Cash result
Year	**£'Million**
2022	45.7
2023	102.7
2024	176.0
2025	248.9
2026	318.6
2027 onwards	393.9

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 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 client 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 £151.6 billion of client assets and liabilities recognised in our IFRS Statement of Financial Position, which represented over 97% of our IFRS total assets and liabilities at 31 December 2021.

To address this, we 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 to 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 72 to 74, 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 for the year was £287.6 million (2020: £262.0 million). Whilst the result is higher year-on-year, the increase is significantly below that implied by the strong underlying business performance, because the positive impact of growth in FUM through 2020 and 2021 is masked by the nuances of life insurance tax-related effects which developed in 2020 and substantially unwound in 2021.

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 Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. The net balance reflects a temporary position, and in the absence of market volatility we expect it will unwind as future cash flows become less uncertain and are ultimately realised. Movement in the asymmetry is recognised in the Consolidated Statement of Comprehensive Income and analysed in Note 4 Fee and commission income. We refer to it as the impact of policyholder tax asymmetry.

Under normal conditions this asymmetry is small, but market falls in early 2020 resulted in a positive movement of £61.7 million in the year to 31 December 2020. Strong market growth in 2021 has resulted in a substantial unwind of the asymmetry, which gives rise to a negative impact of £52.9 million on IFRS profit after tax and IFRS profit before shareholder tax for the current year. Ultimately the effect will be eliminated from the Consolidated Statement of Financial Position, and so it is temporary and we expect it to continue to 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 page 17.

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 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 2020 and 2021. The following table demonstrates the way in which profit before shareholder tax is presented in the Consolidated Statement of Comprehensive Income on page 41.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
IFRS profit before tax	**842.4**	426.4
Policyholder tax	**(488.6)**	(98.8)
IFRS profit before shareholder tax	**353.8**	327.6
Shareholder tax	**(66.2)**	(65.6)
IFRS profit after tax	**287.6**	262.0

Profit before shareholder tax has increased year-on-year. As with the increase in profit after tax, this reflects the strong underlying business performance, substantially offset by the negative 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 year-on-year 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 Statement of Financial Position as a DAC asset and DIR liability, which are subsequently amortised to the 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.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
IFRS profit before shareholder tax	**353.8**	327.6
Remove the impact of movements in DAC/DIR/PVIF	**30.6**	32.3
Underlying profit before shareholder tax	**384.4**	359.9

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 during the year and DIR on new business for the year set out below cannot be agreed to the figures provided in Note 7, which are presented before both policyholder and shareholder tax.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Amortisation of DAC	**(86.1)**	(92.6)
DAC on new business for the year	**41.2**	27.1
Net impact of DAC	**(44.9)**	(65.5)
Amortisation of DIR	**164.8**	160.5
DIR on new business for the year	**(147.3)**	(124.1)
Net impact of DIR	**17.5**	36.4
Amortisation of PVIF	**(3.2)**	(3.2)
Movement in year	**(30.6)**	(32.3)

Net impact of DAC

The scale of the £44.9 million negative overall impact of DAC on the IFRS result (2020: negative £65.5 million) is largely due to changes arising from the 2013 Retail Distribution Review (RDR). After these changes, 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 three to four years, over which 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. The negative impact is lower in 2021 than it was in 2020 due to the significant business growth in the year, meaning that more expenses were deferred in the current year.

Net impact of DIR

The increase in new business in the year means income deferred in 2021 is higher than it was in 2020. Income released from the deferred income liability has remained broadly static. Together, these effects mean that DIR has had a positive £17.5 million impact on the IFRS result in 2021 (2020: £36.4 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 policyholder balances and 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 72 to 74. 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.

	Year ended 31 December 2021		Year ended 31 December 2020	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax
	£'Million	**£'Million**	£'Million	£'Million
Underlying profit	**384.4**	**315.6**	359.9	291.6
Non-cash-settled share-based payments	**20.4**	**20.4**	10.6	10.6
Impact of deferred tax	**–**	**(0.5)**	–	8.2
Impact of policyholder tax asymmetry	**52.9**	**52.9**	(61.7)	(61.7)
Other	**2.9**	**(1.0)**	10.0	6.0
Cash result	**460.6**	**387.4**	318.8	254.7

The increase in **non-cash-settled share-based payments** reflects the impact of the Group's performance during the year.

The most significant **impact of deferred tax** 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.

The **impact of policyholder tax asymmetry** is a temporary effect caused by asymmetries between fund tax deductions and the policyholder tax due to HMRC. Movement in the asymmetry can be significant in volatile markets such as were experienced in 2020, which have substantially reversed in 2021. For further explanation, refer to page 16.

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 two different measures:

- **Underlying cash result**
  This measure represents the regular emergence of cash from day-to-day business operations and 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; and
- **Cash result**
  This measure includes items of a one-off nature, and historically has included the short-term costs associated with the back-office infrastructure.

Consolidated cash result (presented post-tax)

	Note	Year ended 31 December 2021			Year ended 31 December 2020[1]
		In-force	**New business**	**Total**	Total
	Note	**£'Million**	**£'Million**	**£'Million**	£'Million
Net annual management fee	1	**927.0**	**74.6**	**1,001.6**	822.8
Reduction in fees in gestation period	1	**(424.1)**	**–**	**(424.1)**	(366.9)
Net income from FUM	1	**502.9**	**74.6**	**577.5**	455.9
Margin arising from new business	2	**–**	**146.4**	**146.4**	116.8
Controllable expenses	3	**(20.0)**	**(244.6)**	**(264.6)**	(251.6)
Asia – net investment	4	**–**	**(13.6)**	**(13.6)**	(17.4)
DFM – net investment	4	**–**	**(9.6)**	**(9.6)**	(9.2)
Regulatory fees and FSCS levy	5	**(3.8)**	**(34.0)**	**(37.8)**	(38.9)
Shareholder interest	6	**6.2**	**–**	**6.2**	8.7
Tax relief from capital losses	7	**9.2**	**–**	**9.2**	13.7
Miscellaneous	8	**(12.5)**	**–**	**(12.5)**	(13.3)
Underlying cash result		**482.0**	**(80.8)**	**401.2**	264.7
Restructuring	9			**(9.7)**	-
Change in capitalisation policy	10			**(4.1)**	-
Back-office infrastructure development costs				**-**	(10.0)
Cash result				**387.4**	254.7

1) As we explained in the Half-Year Report and Accounts 2021, for the year ended 31 December 2021 we have re-shaped our presentation of the Cash result to aid shareholders. This adapts our reporting to our guidance on expense growth, which has a new focus on controllable expenses. As a result, we have removed the 'Operating cash result' sub-total, and combined Establishment expenses, Operational development costs, Strategic development costs and the Academy into one 'Controllable expenses' line. These presentational changes have been applied to the Cash result for the year ended 31 December 2020 for comparative purposes.

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 12 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. This is known as the 'gestation period' and is reflected in the **reduction in fees in gestation period** line. Further information is provided on page 15.

Net income from FUM reflects Cash result income from FUM that has reached maturity, including FUM which has emerged from the gestation period during the year, 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 2021, our net income from FUM is within our range of 0.63% - 0.65%. We expect this to continue to be the case for 2022, with the tax rate change impacting in 2023 and beyond.

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 year, reflecting initial charges levied on gross inflows and new-business-related expenses. The majority of these expenses vary with new business levels, such as the incremental third-party administration costs of setting up a new policy on our back-office systems, and payments to Partners for the initial advice provided to secure the clients' investment. As a result, gross inflows are a key driver behind this line.

However, the margin arising from new business also contains some fixed expenses, and elements which do not vary exactly in line with gross inflows. For example, our third-party administration tariff structure includes a fixed fee, and to provide some stability for Partner businesses, elements of our support for them are linked to prior-year new business levels.

Therefore, whilst the margin arising from new business tends to move directionally with the scale of gross inflows generated during the year, the relationship between the two is not linear.

3. Controllable expenses

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Establishment expenses	**200.3**	200.0
Development expenses (Operational and Strategic)	**54.0**	42.1
Academy	**10.3**	9.5
Controllable expenses	**264.6**	251.6

As stated in the Chief Financial Officer's Report, as part of the 2025 business planning assumptions we set our ambition to contain growth in controllable expenses to around 5% per annum. Controllable expenses, which are the categories shown in the table above (stated after tax), are a key metric for the business and we are pleased to have delivered against our guidance with these costs increasing by 5% to £264.6 million.

Establishment expenses in 2021 were £200.3 million (2020: £200.0 million), broadly flat over the year and in line with prior guidance. This outcome reflects a combination of operating efficiencies achieved throughout the year together with the resumption of greater business activity through the period as COVID-19-related restrictions eased.

Development expenses were £54.0 million (2020: £42.1 million) reflecting a period of considerable investment in the business, laying the foundations for long-term growth and a drive to secure future operating efficiencies. This included further development in our collaboration with Salesforce, our next-generation client experience, projects focused on intelligent automation, and progress on decommissioning ancillary legacy systems. These projects will all contribute to improved efficiency, enhancing the experience for Partners and clients and making SJP easier to do business with.

Reflecting its critical role in providing a source of future organic growth in our adviser population, we continue to invest in building our **Academy** programmes to accommodate additional capacity with greater geographic reach. The transition to a hybrid format, where we combine in-class learning with greater digital content, has meant we have been able to scale up our Academy programmes efficiently.

4. Asia and DFM

These lines represent the net income from Asia and DFM FUM, including the Asia and DFM expenses set out in the reconciliation between expenses presented separately on the face of the Cash result before tax to IFRS expenses on page 23.

We have continued to invest in developing our presence in **Asia**, as well as in **discretionary fund management** via Rowan Dartington both in the UK and overseas. Both have achieved greater scale in line with business plans, and both have achieved outcomes in line with prior guidance, positioning them well for the years ahead.

5. Regulatory fees and FSCS levy

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:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
FSCS levy	**28.1**	29.7
Regulatory fees	**9.7**	9.2
Regulatory fees and FSCS levy	**37.8**	38.9

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. Our contribution to the **FSCS levy** decreased marginally during the year, to £28.1 million, down from £29.7 million in 2020. The levy has run at significantly elevated levels for a number of years now, but we are actively engaged with the FCA on its recent Discussion Paper on the compensation framework and we are encouraged that they are considering ways to ensure costs are distributed across industry levy payers in a fair and sustainable way.

6. 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.

7. 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 during the year of £9.2 million tax value (2020: £13.7 million) was in line with guidance. While dependent on market performance, we expect future utilisation of £5 million - £7 million per year from the remaining stock of £26.8 million (31 December 2020: £35.5 million).

8. Miscellaneous
This category represents the net 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.

9. Restructuring
In 2021 we recognised the one-off cost of a **restructuring** exercise associated with an employee redundancy programme in the year. The total expense is £9.7 million, with the modest increase from the first-half balance reflecting final costs against the half-year estimate.

10. Change in capitalisation policy
In the second half of the year we recognised a further one-off cost of £4.1 million. During the year the International Financial Reporting Standards Interpretations Committee provided additional guidance on the recognition of software configuration costs. In line with the wider industry we have reflected this guidance in a **change in capitalisation policy.**

Reconciliation of Cash result expenses to IFRS expenses

Whilst certain expenses are recognised in separate line items on the face of the Cash result, 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. In order to reconcile to the IFRS expenses presented on the face of the Consolidated Statement of Comprehensive Income on page 41, the expenses netted from income lines in the Cash result need to be added in, as do certain IFRS expenses which by definition are not included in the Cash result. In addition, all expenses need to be converted from post-tax, as they are presented in the Cash result, to pre-tax, as they are presented under IFRS.

Expenses presented on the face of the Cash result before and after tax are set out below.

	Year ended 31 December 2021			Year ended 31 December 2020		
	Before tax	**Tax rate**	**After tax**	Before tax	Tax rate	After tax
	£'Million	**Percentage**	**£'Million**	£'Million	Percentage	£'Million
Controllable expenses						
Establishment expenses	**247.3**	**19.0%**	**200.3**	247.0	19.0%	200.0
Development expenses (Operational and Strategic)	**66.7**	**19.0%**	**54.0**	51.7	19.0%	42.1
Academy	**12.7**	**19.0%**	**10.3**	11.8	19.0%	9.5
Total controllable expenses	**326.7**		**264.6**	310.5		251.6
Other costs presented separately on the face of the Cash result						
Regulatory fees and FSCS levy	**46.6**	**19.0%**	**37.8**	47.9	19.0%	38.9
Restructuring	**12.0**	**19.0%**	**9.7**	-	-	-
Change in capitalisation policy	**5.1**	**19.0%**	**4.1**	-	-	-
Back-office infrastructure development costs	-	-	-	12.4	19.0%	10.0
Total expenses presented separately on the face of the Cash result	**390.4**		**316.2**	370.8		300.5

The total expenses presented separately on the face of the Cash result before tax then reconciles to IFRS expenses as set out below.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	**390.4**	370.8
Expenses which vary with business volumes		
Other performance-related costs	**145.0**	107.5
Payments to Partners	**988.0**	827.0
Investment expenses	**88.0**	90.1
Third-party administration	**128.0**	119.7
Other	**64.3**	37.4
Expenses relating to investment in specific areas of the business		
Asia expenses	**23.3**	22.1
DFM expenses	**31.0**	26.7
Total expenses included in the Cash result	**1,858.0**	1,601.3
Expenses which are not included in the Cash result		
Amortisation of DAC and PVIF, net of additions	**48.1**	68.8
Non-cash-settled share-based payments expenses	**20.4**	10.6
Other	**4.8**	7.3
Total IFRS Group expenses before tax	**1,931.3**	1,688.0

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 impact Group profitability significantly.

Each of these items is 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** both reflect disciplined expense control during the year, whilst continuing to invest to support growth. Such investment will continue going forward.

In the Cash result, Asia and DFM expenses are presented net of the income they generate.

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.

Derivation of the Cash result

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

Stage 1: Solvency II Net Assets Balance Sheet

Firstly, the IFRS 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 31 December 2021.

		IFRS Balance Sheet	**Adjustment 1**	**Adjustment 2**	**Solvency II Net Assets Balance Sheet**	Solvency II Net Assets Balance Sheet: 2020
31 December 2021	**Note**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million
Assets						
Goodwill		**29.6**	**–**	**(29.6)**	**–**	–
Deferred acquisition costs		**379.6**	**–**	**(379.6)**	**–**	–
Purchased value of in-force business		**14.4**	**–**	**(14.4)**	**–**	–
Computer software		**27.0**	**–**	**(27.0)**	**–**	–
Property and equipment	1	**154.5**	**–**	**–**	**154.5**	174.4
Deferred tax assets	2	**20.6**	**–**	**(15.6)**	**5.0**	0.7
Investment in associates		**1.4**	**–**	**–**	**1.4**	–
Reinsurance assets		**82.4**	**–**	**(82.4)**	**–**	–
Other receivables	3	**2,923.0**	**(1,332.4)**	**(3.0)**	**1,587.6**	1,546.2
Investment property		**1,568.5**	**(1,568.5)**	**–**	**–**	–
Equities		**106,782.3**	**(106,782.3)**	**–**	**–**	–
Fixed income securities	4	**29,305.9**	**(29,298.1)**	**–**	**7.8**	7.4
Investment in Collective Investment Schemes	4	**5,513.2**	**(3,907.9)**	**–**	**1,605.3**	1,264.8
Derivative financial instruments		**1,094.6**	**(1,094.6)**	**–**	**–**	–
Cash and cash equivalents	4	**7,832.9**	**(7,587.2)**	**–**	**245.7**	254.9
Total assets		**155,729.9**	**(151,571.0)**	**(551.6)**	**3,607.3**	3,248.4
Liabilities						
Borrowings	5	**433.0**	**–**	**–**	**433.0**	341.8
Deferred tax liabilities	2	**649.8**	**–**	**(25.4)**	**624.4**	378.0
Insurance contract liabilities		**572.3**	**(487.8)**	**(84.5)**	**–**	–
Deferred income		**562.6**	**–**	**(562.6)**	**–**	–
Other provisions		**44.1**	**–**	**–**	**44.1**	34.3
Other payables	1, 3	**2,604.5**	**(1,344.9)**	**(5.2)**	**1,254.4**	1,242.9
Investment contract benefits		**110,349.8**	**(110,349.8)**	**–**	**–**	–
Derivative financial instruments		**1,019.5**	**(1,019.5)**	**–**	**–**	–
Net asset value attributable to unit holders		**38,369.0**	**(38,369.0)**	**–**	**–**	–
Income tax liabilities	6	**6.1**	**–**	**–**	**6.1**	32.7
Preference shares		**–**	**–**	**–**	**–**	0.1
Total liabilities		**154,610.7**	**(151,571.0)**	**(677.7)**	**2,362.0**	2,029.8
Net assets		**1,119.2**	**–**	**126.1**	**1,245.3**	1,218.6

Adjustment 1 strips out the policyholder interest in unit-linked assets and liabilities, to present solely shareholder-impacting balances. For further information refer to Note 9 Investments, investment property and cash and cash equivalents within the IFRS Financial Statements.

Adjustment 2 removes items such as DAC, DIR, PVIF and their associated deferred tax balances from the IFRS 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, and other payables

£120.3 million (2020: £133.7 million) of the property and equipment balance represents the right to use leased assets. It has decreased year-on-year as the leased assets are depreciated. Lease liabilities of £124.1 million are recognised within the other payables line (2020: £132.7 million). These have decreased as lease payments are made.

Notes 8 and 11 to the IFRS Financial Statements provide further detail on property and equipment and other payables respectively.

2. Deferred tax assets and liabilities

Analysis of deferred tax assets and liabilities, including how they have moved year-on-year, is set out in Note 6 Income and deferred taxes within the IFRS Financial Statements.

3. Other receivables and other payables

Detailed breakdowns of other receivables and other payables can be found in Note 10 Other receivables and Note 11 Other payables within the IFRS Financial Statements.

Other receivables on the Solvency II Net Assets Balance Sheet have increased from £1,546.2 million at 31 December 2020 to £1,587.6 million at 31 December 2021, principally reflecting an increase in securitised business loans to Partners. Further information on business loans to Partners is provided below.

Within other receivables there are two items which merit further analysis:

Operational readiness prepayment asset

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 IFRS Statement of Financial Position. The asset, which stood at £296.3 million at 31 December 2021 (31 December 2020: £313.9 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 31 December 2021 is 12 years.

The movement schedule below demonstrates how the operational readiness prepayment has built up over the past two years.

	2021	2020
	£'Million	£'Million
Cost		
At 1 January	**406.6**	360.1
Additions during the year	**6.9**	46.5
At 31 December	**413.5**	406.6
Accumulated amortisation		
At 1 January	**(92.7)**	(60.9)
Amortisation during the year	**(24.5)**	(31.8)
At 31 December	**(117.2)**	(92.7)
Net book value	**296.3**	313.9

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 more than offset by the lower tariff charges on Bluedoor compared to the previous system, which grow as the business grows, benefiting both the IFRS and Cash results.

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 over the 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; and 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 ten 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.

	31 December 2021	31 December 2020
Aggregate LTV across the total Partner lending book	**29%**	31%
Proportion of the book where LTV is over 75%	**7%**	12%
Net exposure to loans where LTV is over 100% (£'Million)	**4.6**	9.2

If FUM were to decrease by 10%, the net exposure to loans where LTV is over 100% at 31 December 2021 would increase to £6.6 million (31 December 2020: increase to £11.3 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 year we have continued to facilitate business loans to Partners, primarily focused on securitised loans and so this balance has increased. Business loans to Partners directly funded by the Group has remained broadly stable year-on-year as new loans advanced have approximately matched repayments received.

	31 December 2021	31 December 2020
	£'Million	£'Million
Total business loans to Partners	**521.6**	476.7
Split by funding type:		
Business loans to Partners directly funded by the Group	**307.6**	319.6
Securitised business loans to Partners	**214.0**	157.1

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.

	31 December 2021	31 December 2020
	£'Million	£'Million
Fixed interest securities	**7.8**	7.4
Investment in Collective Investment Schemes (AAA-rated money market funds)	**1,605.3**	1,264.8
Cash and cash equivalents	**245.7**	254.9
Total liquid assets	**1,858.8**	1,527.1

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 guidance 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 £413.5 million of development spend on Bluedoor in our operational readiness prepayment asset. This is in addition to £196.3 million of internal project costs that we have expensed as incurred. The total cash outflow on the project is £609.8 million. This project has now been completed and so no further cash outflows will be incurred.

5. Borrowings
The Group 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 referred to in the previous years. For accounting purposes we are obliged to disclose on our 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.

This means that the senior tranche of non-recourse securitisation loan notes, whilst included within borrowing, are very different from the Group's senior unsecured corporate borrowings, which are used to manage working capital and to fund investment in the business.

	31 December 2021	31 December 2020
	£'Million	£'Million
Corporate borrowings: bank loans	**106.8**	112.7
Corporate borrowings: loan notes	**163.8**	113.8
Senior unsecured corporate borrowings	**270.6**	226.5
Senior tranche of non-recourse securitisation loan notes	**162.4**	115.3
Total borrowings	**433.0**	341.8

The 2020 year-end senior unsecured corporate borrowing position benefited from the decision to temporarily withhold payment of a portion of the 2019 final dividend and not pay a 2020 interim dividend. With dividend payments having resumed in full in 2021, these borrowings returned to more normal levels during the year.

The senior tranche of non-recourse securitisation loan notes has increased in the year due to the increase in securitised business loans to Partners.

Further information is provided in Note 12 Borrowings and financial commitments within the IFRS Financial Statements.

6. Income tax liabilities
The Group has an income tax liability of £6.1 million at 31 December 2021 compared to £32.7 million at 31 December 2020. This is due to a current tax charge of £293.6 million, tax paid of £319.1 million and the impact of acquisitions and disposals of Group entities of £1.1 million during the year. Further detail is provided in Note 6 Income and deferred taxes.

Stage 2: Movement in Solvency II Net Assets Balance Sheet

After the Solvency II Net Assets Balance Sheet has been determined, the second stage in the derivation of the Cash result identifies 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 to the total movement.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Opening Solvency II net assets	**1,218.6**	1,056.8
Dividend paid	**(329.9)**	(107.1)
Issue of share capital and exercise of options	**29.0**	3.3
Consideration paid for own shares	**–**	(3.9)
Change in deferred tax	**0.5**	(8.2)
Impact of policyholder tax asymmetry	**(52.9)**	61.7
Change in goodwill, intangibles and other non-cash movements	**(7.4)**	(38.7)
Cash result	**387.4**	254.7
Closing Solvency II net assets	**1,245.3**	1,218.6

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 the 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 both in 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, and we have sought to align them as closely as possible. The table below and accompanying notes summarise the profit before tax of the combined business.

	Note	**Year ended 31 December 2021 £'Million**	Year ended 31 December 2020 £'Million
Funds management business	1	**1,662.9**	1,077.8
Distribution business	2	**(24.4)**	(75.7)
Back-office infrastructure development		**–**	(12.4)
Other		**(93.1)**	(70.7)
EEV operating profit		**1,545.4**	919.0
Investment return variance	3	**894.5**	304.4
Economic assumption changes	4	**4.2**	(47.4)
EEV profit before tax		**2,444.1**	1,176.0
Tax		**(578.7)**	(226.6)
Corporation tax rate change	5	**(412.7)**	(126.9)
EEV profit after tax		**1,452.7**	822.5

A reconciliation between EEV operating profit before tax and IFRS profit before tax is provided in Note 3 Segment Reporting within the IFRS Financial Statements.

Notes to the EEV result

1. Funds management business EEV operating profit

The funds management business operating profit has increased to £1,662.9 million (2020: £1,077.8 million) and a full analysis of the result is shown below.

	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
New business contribution	**1,002.2**	766.3
Profit from existing business		
– unwind of the discount rate	**275.8**	279.6
– experience variance	**89.5**	16.9
– operating assumption change	**293.0**	10.5
Investment income	**2.4**	4.5
Funds management EEV operating profit	**1,662.9**	1,077.8

The **new business contribution** for the year at £1,002.2 million (2020: £766.3 million) was 31% higher than the prior year, primarily reflecting the increase in new business volumes.

The **unwind of the discount rate** for the year was broadly flat at £275.8 million (2020: £279.6 million). This reflects the higher opening value of in-force business but a lower opening discount rate for the year: 3.4% in 2021 compared to 4.0% in 2020.

The **experience variance** during the year was £89.5 million (2020: £16.9 million). This reflects positive retention experience over the year partially offset by increased development expenses.

The impact of **operating assumption changes** in the year was a positive £293.0 million (2020: positive £10.5 million). The increase arises from a small improvement to the persistency assumptions for onshore bond and pension business, reflecting positive retention experience over recent years, and revisions to the expense basis, reflecting economies of scale achieved during the year.

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 gross margin has increased year-on-year reflecting the high volume of new business in the year. However, the FSCS levy expense remained high at £23.6 million (2020: £25.2 million), impacting 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 year was positive 11.4% after charges, compared to the assumed investment return of positive 2.2%. This resulted in a positive investment return variance of £894.5 million (2020: positive £304.4 million).

4. Economic assumption changes
The positive variance of £4.2 million arising in the year (2020: negative £47.4 million) reflects the positive effect from the increase in gilt yields, offset by an increase in the expected rate of inflation.

5. Corporation tax rate change
In the UK budget of 3 March 2021 it was announced that the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 within the Finance Bill 2021 and as a result the relevant deferred tax balances have been remeasured.

New business margin

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

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

	Year ended 31 December 2021	Year ended 31 December 2020
Investment		
New business contribution (£'Million)	**153.0**	104.1
Gross inflows (£'Billion)	**2.62**	1.77
Margin (%)	**5.8**	5.9
Pension		
New business contribution (£'Million)	**512.0**	439.6
Gross inflows (£'Billion)	**9.86**	8.44
Margin (%)	**5.2**	5.2
Unit Trust and DFM		
New business contribution (£'Million)	**337.2**	222.6
Gross inflows (£'Billion)	**5.72**	4.12
Margin (%)	**5.9**	5.4
Total business		
New business contribution (£'Million)	**1,002.2**	766.3
Gross inflows (£'Billion)	**18.20**	14.33
Margin (%)	**5.5**	5.3
Post-tax margin (%)	**4.2**	4.3

The overall margin for the year was 5.5% (2020: 5.3%). The improvement year-on-year is due to a combination of the positive impact of the change in persistency and controlled expenses, offset in the post-tax result by the future change in the tax rate.

Economic assumptions

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

	Year ended 31 December 2021	Year ended 31 December 2020
Risk-free rate	**1.1%**	0.3%
Inflation rate	**4.0%**	3.3%
Risk discount rate	**4.2%**	3.4%
Future investment returns:		
– Gilts	**1.1%**	0.3%
– Equities	**4.1%**	3.3%
– Unit-linked funds	**3.4%**	2.6%
Expense inflation	**4.4%**	3.7%

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

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

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.

		Change in new business contribution		**Change in European Embedded Value**
		Pre-tax	**Post-tax**	**Post-tax**
	Note	**£'Million**	**£'Million**	**£'Million**
Value at 31 December 2021		**1,002.2**	**762.2**	**8,957.4**
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	**(35.7)**	**(27.6)**	**(154.4)**
10% increase in withdrawal rates	2	**(72.7)**	**(55.1)**	**(478.8)**
10% reduction in market value of equity assets	3	**–**	**–**	**(890.7)**
10% increase in expenses	4	**(26.3)**	**(20.3)**	**(103.9)**
100bps increase in assumed inflation	5	**(35.7)**	**(27.5)**	**(154.2)**

Notes to the EEV sensitivities

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

	Change in new business contribution		**Change in European Embedded Value**
	Pre-tax	**Post-tax**	**Post-tax**
	£'Million	**£'Million**	**£'Million**
100bps reduction in risk discount rate	**119.2**	**90.3**	**680.7**

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.

	31 December 2021	31 December 2020
	£'Million	£'Million
Value of in-force business	**7,712.1**	6,566.6
Solvency II net assets	**1,245.3**	1,218.6
Total embedded value	**8,957.4**	7,785.2

	£	£
Net asset value per share	**16.57**	14.49

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 investment in the same product. Earlier business was written in our separate Retirement Plan and Drawdown Plan products, targeted at the each of the two phases separately, and therefore has a slightly shorter term and 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 £395 million to our embedded value at 31 December 2021 (31 December 2020: £385 million).

Section 3: Solvency

St. James's Place has a business model and risk appetite that result in underlying assets being held that fully match 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 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 2021 we reviewed the level of our MSB and increased the MSB for the Life businesses to £355 million (31 December 2020: £345 million), reflecting business growth and market conditions.

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

	Life[1]	**Other regulated**	**Other[1,2]**	**Total**	31 December 2020 Total
31 December 2021	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million
Solvency II net assets	**392.5**	**344.6**	**508.2**	**1,245.3**	1,218.6
MSB	**355.0**	**163.0**	**–**	**518.0**	501.3
Management solvency ratio	**111%**	**211%**	**–**	**–**	–

1) After payment of year-end intra-Group dividend.

2) Before payment of the Group final dividend.

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 (VIF) cash flows 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 are assessed against our regulatory 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 year-end, is presented in the table below.

	Life[1]	**Other regulated**	**Other[1,2]**	**Total**	31 December 2020 Total
31 December 2021	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million
Solvency II net assets	**392.5**	**344.6**	**508.2**	**1,245.3**	1,218.6
Value of in-force (VIF)	**5,640.1**	**–**	**–**	**5,640.1**	4,756.3
Risk margin	**(1,622.9)**	**–**	**–**	**(1,622.9)**	(1,357.5)
Own funds (A)	**4,409.7**	**344.6**	**508.2**	**5,262.5**	4,617.4
Solvency capital requirement (B)	**(3,831.6)**	**(107.5)**	**–**	**(3,939.1)**	(3,506.6)
Solvency II free assets	**578.1**	**237.1**	**508.2**	**1,323.4**	1,110.8
Solvency ratio (A/B)	**115%**	**321%**		**134%**	132%

1) After payment of year-end intra-Group dividend.

2) Before payment of the Group final dividend.

The solvency ratio after payment of the proposed Group final dividend is 128% at the year-end (31 December 2020: 124%).

We continue to target a solvency ratio of 110% for SJPUK, our largest insurance subsidiary, as agreed with our regulator the PRA. The combined solvency ratio for our Life companies, after payment of the year-end intra-Group dividend, is 115% at 31 December 2021 (31 December 2020: 112%).

Solvency II sensitivities

The table below shows the estimated impact on the Solvency II free assets, the SCR and the solvency ratio from changes in various assumptions underlying the Solvency II calculations. In each case, only the indicated item is varied relative to the restated values.

The solvency ratio is not very sensitive to changes in experience or assumptions, and, due to the approach to matching unit-linked liabilities with appropriate assets, can move counter-intuitively depending on circumstances, as demonstrated by the sensitivity analysis presented below.

	Note	Solvency II free assets £'Million	Solvency II capital requirement £'Million	Solvency ratio %
Value at 31 December 2021		**1,323.4**	**3,939.1**	**134%**
100bps reduction in risk-free rates, with corresponding change in fixed interest asset values	1	**1,174.3**	**3,946.7**	**130%**
10% increase in withdrawal rates	2	**1,388.6**	**3,679.5**	**138%**
10% reduction in market value of equity assets	3	**1,479.1**	**3,284.8**	**145%**
10% increase in expenses	4	**1,248.8**	**3,934.3**	**132%**
100bps increase in assumed inflation	5	**1,208.6**	**3,939.5**	**131%**

Notes to the Solvency II sensitivities

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

Risk and Risk Management

Overview and culture

The business activities and the industry within which the Group operates expose us to a wide variety of inherent risks. Therefore effective risk management, underpinned by a good risk culture, is critical to our success. We comprehensively identify and assess risks in order to carefully select our appetite for those risks and then manage them accordingly. When assessing risks and deciding on the appropriate response we consider the potential impacts on our key stakeholders: clients, advisers, shareholders, regulators, employees and society. Our most material risks are managed through the design and operation of our client and Partner proposition, including the way in which it is delivered and administered.

The inherent risk environment faced by the Group develops over time with current and emerging factors and trends (including the impacts from COVID-19, political risks such as changes in taxation, macro-economic factors, cyber crime and climate change), some of which may impact our short- and/or longer-term profitability. Under the leadership, direction and oversight of our Board, these risks are carefully understood and managed to achieve our business priorities.

We do not, and cannot, seek to eliminate risk entirely; rather we seek to understand our risks fully and manage them appropriately. The emphasis is on applying effective risk management strategies, so that all material risks are identified and managed within the agreed risk appetite. Risk management is embedded within our culture and therefore is a core aspect of decision-making.

Risk management forms a key part of the business planning process, including decisions on strategic developments to our client and Partner propositions, investments and dividend payments.

Our Risk Management Framework

The internal control environment is built upon a strong control culture and organisational assignment of responsibility. The ‘first line’ business is responsible and accountable for risk management. This is then combined with oversight from the ‘second line’ risk, controls and compliance functions and assurance from the ‘third line’ internal audit to form a ‘three lines of defence’ model.

The Risk Management Framework is a combination of processes by which the Group identifies, assesses, measures, manages and monitors the risks that may impact on the successful delivery of its business priorities. Based upon our risk appetite, the risks identified are either accepted or appropriate actions are taken to mitigate them.

The Board, through the Risk Committee, takes an active role in overseeing the Risk Management Framework, for which it is responsible. As part of this the Board robustly assesses its principal and emerging risks, which are considered in regular reporting and summarised annually in the Own Risk and Solvency Assessment: further information on this is provided overleaf.

On behalf of the Board, the Audit Committee takes responsibility for assessing the effectiveness of the Group’s risk management and internal control systems, covering all material controls, including financial, operational and compliance controls. It does this via an annual review of risk and control self-assessments and monitoring of the effectiveness of the internal control model throughout the year. The systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

The Board receives regular reports from the Risk Committee and Audit Committee and approves key aspects of the Group’s Risk Management Framework including the Group Risk Appetite Statement and Group ORSA.

Our risk appetite

The Board carefully sets its appetite for taking risk against the Group’s business priorities. These choices are set out in detail in our Group Risk Appetite Statement, which is reviewed at least annually by the Risk Committee, senior risk owners and the Executive Board before being approved by the Board. The Group Risk Appetite Statement also provides clarity over ownership, enabling us to identify the key individuals within the Group who have responsibility for managing these risks. The Group Risk Appetite Statement informs the entity Risk Appetite Statements prepared and approved by the regulated subsidiary boards within the Group.

The Group Risk Appetite Statement includes a risk appetite scale. This scale has several risk acceptance levels, ranging from no appetite for taking risks at all, through to acceptance of risk. The level of risk we are willing to accommodate will vary dependent on individual risk scenarios.

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

Own Risk and Solvency Assessment (ORSA)

We are classified as an insurance group and are subject to Solvency II insurance regulation. A key part of this regulation requires a consistent approach to risk management across the Group, supported by the production of an annual ORSA.

The ORSA process follows an annual cycle, which links the business’s activity and business priorities with comprehensive risk assessments, and ensures the Group is resilient to stresses both in the short term and over a five-year period.

The Solvency Capital Requirement for insurers allows for at least a ‘1 in 200-year’ risk event over a one-year time horizon. In addition, severe stresses and scenarios are used to help provide insight into the ability to maintain the required regulatory capital in these conditions. Our results show that it would be possible to maintain regulatory capital across the Group under all stresses for the business planning horizon. The outcomes of these activities assist us when considering the calculations and allocation of risk capital to all major risks in the Group, and the adequacy of capital positions. This process ensures our continued confidence that the regulated entities remain strongly capitalised.

The ORSA uses a five-year projection period for the medium term. Due to the gestation period across some of our pension and investment product ranges, we do not earn annual management fees in the first six years. As a result, considering a five-year projection period, which is less than the gestation period, is a prudent view of the Group's viability as we consider ongoing revenues generated on existing business only. The ORSA is particularly useful in assessing viability as it involves a comprehensive assessment of risks and capital requirements for the business. Consideration is given to factors or events that impact on our income from funds under management such as market movements, retention of clients and ability to attract new clients. We also consider factors which impact our costs such as inflation, non-inflationary expense increases and operational event-related losses. Combinations of these factors are used to form scenarios which are tested, providing for more extreme combinations of events. Therefore, assumptions are robustly analysed to predict both the immediate impact of an event along with the impact over the longer term (in the wake of the event). In addition to these more extreme 'combination' scenarios, assessments are also completed based on more current/topical or emerging risk exposures affecting the Group or financial services more generally.

The ORSA aids decision-making by bringing together the following processes:

- strategic planning;
- risk appetite consideration;
- risk identification and management; and
- capital planning and management.

The ORSA continues to evolve and further strengthen risk management processes throughout the Group.

Current risk environment

We continue to identify potential challenges ahead and recognise that significant risks remain in relation to COVID-19 variants and the economic consequences from the response to it. We expect to see inflationary challenges in the short to medium term and are mindful of potential risks relating to tightening of monetary policy and changes in tax policy which could change the amount our clients have available to save and how much tax they pay on investments. We also however recognise an opportunity for our advisers, through ongoing financial advice, to support clients in managing their financial affairs so that, as the tax landscape changes, they can adapt and re-plan to meet their goals. We are also mindful of the potential for geo-political tensions to escalate, which could have relevance to the Group through the impacts on financial markets and through heightened Cyber risk.

Overall we remain confident in our ability to withstand further challenges that may or may not emerge from the risk environment described in more detail below. Timely and targeted risk-based information has been provided to the Board to continue to support decision-making and help the understanding of key issues.

Macro-economic

The uncertainty in relation to COVID-19 has improved significantly as a result of the successful vaccine rollout in the UK which has greatly weakened the link between infections, hospitalisations and deaths. While the future outlook is more positive than this time last year, we remain mindful of the risk posed by emerging mutations of the virus.

Reflecting the stability, resilience and consistency of the Group's business model, COVID-19 has impacted the business in ways which are familiar to our Risk Management Framework. Examples of this are through: market volatility; a reduction in new business in 2020 which has subsequently reversed in 2021; and the continuation of partial remote working for many employees which presents talent management risks.

The UK and international economic recovery have benefitted from programmes of quantitative easing and government support packages, which led to a strong market recovery in 2021 but has also contributed to higher than expected inflation. Inflationary pressures are also arising out of supply-side strain (on both labour and imported goods including fuel) in the UK.

There are good reasons to be optimistic about continued investment and growth of inflows to the Group, however, there are risks that investor sentiment could deteriorate for many reasons including if:

- inflation continues to increase and interest rates rise quickly to counter it;
- geopolitical tensions escalate, for example between Russia or China and the West;
- plans to manage the substantial increase in national debt include a significantly higher tax burden; and
- the relationship between the UK and EU deteriorates and leads to a more challenging trade environment.

Depending on how these risks unfold over time, this could impact SJP through market volatility, possible reductions in new business and lapses.

We expect and have shown in the stress and scenario testing carried out as part our ORSA and Group dividend assessment that the Group continues to remain resilient to macro-economic shocks (including inflation and interest rate shifts) as well as more extreme events.

Climate change

Tackling climate change is an issue of high importance to SJP, our advisers, clients, and regulators. The related risks affect all companies in different ways and we have carefully considered how climate change could impact the Group to identify both risks and opportunities. Climate change is a driver of market-related risk, be that through physical climate events or impacts from transitioning away from fossil fuels. Whilst recognising the unique ways in which climate change can affect individual investments, our approach to managing this risk (and seizing the opportunity in the investment space) is very similar to how we manage other drivers of market-related risk, namely through our Investment Management Approach (IMA) and within that our approach to responsible investing. Further, to ensure our resilience as a Group to market movements, our liabilities to clients are fully matched by our invested assets.

Given that we are comfortable with our approach to managing market related risk and that we do not have material exposure to insurance products beyond unit-linked investments, the key risk to the Group is around reputational damage and failure to meet current and potential clients' expectations. Ultimately, we aim to grow in a sustainable way, taking a long-term view, which ensures we are a force for good for our people, clients, stakeholders and the wider world. As an example of how we are putting this into practice in relation to climate change is that we have pledged that our operations will become climate positive by 2025 and our investments will be net zero by 2050. We are confident the steps we are taking on climate-related issues will ensure that Group has a positive impact in the fight against climate change, whilst also managing the risk of failing to meet the expectations of clients.

Principal risks and uncertainties

The principal risks that the business faces have not changed from the previous year, but the risk landscape has developed over the course of the year. An example of this is that security & resilience remains a principal risk area and cyber risk continues to be a key risk. However, we recognise that the cyber threat continues to develop, particularly with the proliferation of 'ransomware as a service', which increases the inherent cyber risk to the business.

The business priority areas which our principal risks impact, and the high-level controls and processes through which we aim to mitigate them, are set out in the tables on the following pages. Reputational damage and impacts to shareholders and other stakeholders are a likely consequence of any of our principal risks materialising.

The following descriptions are used to indicate which primary business priorities our principal risks could impact, recognising that they could also have a secondary impact on other business priorities:

Key business priorities

Building community
Being easier to do business with
Delivering value to advisers and clients through our investment proposition
Building and protecting our brand and reputation
Our culture and being a leading responsible business
Continued financial strength

	Risk description	Business priority	Key risks	Example controls
Administration service	We fail to deliver good-quality administration services to advisers and clients.	Being easier to do business with	• Clients and advisers receive poor policy administration • Failure of key administration system change projects • Administrative complexity	• Oversight of service levels by our third-party administration provider • Management of administration 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 and ensure operational resilience
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.	Delivering value to advisers and clients through our investment proposition Our culture and being a leading responsible business	• 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 climate change and responsible investing	• Monitoring of asset allocations across portfolios to ensure they are performing as expected in working towards long-term objectives • Monitoring funds against their objectives and to ensure an appropriate level of investment risk • Ongoing assessment of value delivered by funds and portfolios versus their objectives • Where necessary, managers are changed in the most effective way possible • Continuous development of the range of services offered to clients • Engagement with fund managers around principles of responsible investment
Conduct	**We fail to provide quality, suitable advice**	Building and protecting our brand	• Advisers deliver poor-quality or unsuitable advice	• Licensing programme ensuring appropriate standard of advice and service from advisers • Technical support helplines for advisers

	Risk description	Business priority	Key risks	Example controls
	or service to clients.	and reputation	• Failure to evidence the provision of quality service and advice	• 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's finances.**	Continued financial strength	• 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 • Reinsurance of insurance risks • Ongoing monitoring of all risk exposures and experiences • Acceptance of market and persistency risk impact on profit • Setting and monitoring budgets • Implementing new systems to allow for future cost reductions • Monitoring and management of individual entities solvency to minimise Group interdependency
Outsourcing	The third-party outsourcers's activities impacts our performance and risk management.	Building and protecting our brand and reputation Our culture and being a leading responsible business	• Operational failures by material outsourcers • Failure of critical service; significant areas include: o investment administration o fund management o custody o policy administration o cloud services	• Oversight regime in place to identify prudent steps to reduce risk of operational failures by material third-party providers • Ongoing monitoring, including assessment of operational resilience • Due diligence performed on key suppliers
Partner proposition	Our proposition solution fails to meet the needs, objectives and expectations of our current and potential future Partners.	Building community Being easier to do business with	• 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 adviser 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.	Building community Our culture and being a leading responsible business	• Failure to attract and retain people with key skills • Poor employee engagement • Failure to create an inclusive and diverse business • Poor employee wellbeing • 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 • Employee wellbeing is supported through various initiatives, benefits and services • Corporate incentives to encourage social value engagement, including matching of employee charitable giving to the Charitable Foundation • Whistleblowing hotline

	Risk description	Business priority	Key risks	Example controls
Regulatory	We fail to meet current, changing or new regulatory and legislative expectations.	Building and protecting our brand and reputation Our culture and being a leading responsible business	• Failure to comply with changing regulation or respond to changes in regulatory expectations • Inadequate internal controls • Failure to respond to regulatory driven changes to the industry in which we operate • Solvency risk	• Compliance function provides expert guidance and carries out extensive assurance work • Strict controls are maintained in highly regulated areas • Maintainance of appropriate solvency capital buffers, and continous monitoring of solvency experience • Clear accountabilities and understanding of responsibilities across the business • 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.	Building and protecting our brand and reputation	• 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 • Focus on building operational resilience • Clear cyber strategy and data protection roadmap for continuous development • Data leakage detection technology and incident reporting systems • Identification, communication, and response planning for the event of cyber crime • Executive-Board level cyber scenario session to test strategic response • Internal awareness programmes • Identification and assessment of critical business services
Strategy, competition and brand	Challenge from competitors and impact of reputational damage.	Building and protecting our brand and reputation Our culture and being a leading responsible business	• Increased competitive pressure from traditional and disruptive (non-traditional) competitors • Cost and charges pressure • Negative media coverage • Failure to meet our commitments to net zero	• 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 • Proactive engagement with external agencies including media, industry groups and regulators • Clear interim targets to be tracked towards meeting our long-term net zero targets

Emerging risks

Emerging risks are identified through conversations and workshops with stakeholders throughout the business, reviewing academic papers, attending industry events (webinars and in person), and other horizon scanning by the Group risk team.

The purpose of monitoring and reporting emerging risks is to give assurance that we are prioritising our response to emerging risks appropriately in our strategy, which is the primary risk management tool for longer term strategic risks. The Risk Committee has reviewed emerging risks on a quarterly basis.

Examples of emerging risks which have been considered during the year include:

- remote talent management;
- climate change, including regulatory changes and 'greenwashing';
- unintended consequences from the adoption of artificial intelligence;
- erosion of industry boundaries; and
- cryptocurrency and blockchain technology.

Viability Statement

How we assess our viability

The business considers five-year financial forecasts when developing its strategy. These incorporate our budget for the next financial year and four further years of forecasts based on reasonable central assumptions around development of business drivers.

At the core of assessing our viability we seek to understand how different principal risks could materialise. We consider risks which might present either in isolation or in combination and which could result in acute shocks to the business or long-term underperformance against forecasted business drivers. We consider the five-year time horizon sufficiently long to assess potential impacts and ensure that the business could remain viable, noting that identified management actions could also be enacted to restore the business's prospects.

When considering how the principal risks previously described might impact the business, we consider our ability to deal with particular events, which may impact one or more of the following key financial drivers:

- reduction in client retention;
- reduction in new business relative to forecasts;
- market stresses;
- increases in expenses; and
- direct losses through operational risk events.

We carry out stress and scenario testing on these key financial drivers, alongside operational risk assessments. To provide comfort over viability over the next five years, the scenarios and assessments look at events which would be extreme, whilst still remaining plausible. This work demonstrates that, although there would be impacts on profitability, the Group is resilient and could continue to meet regulatory capital requirements over five years should even the more extreme risks materialise.

As well as robust scenario testing the Directors have given consideration to assessments of the current risk environment, including how risks are managed through controls relative to the risk appetite, and emerging risks.

Example scenario

A diverse selection of stresses and scenarios are applied to test all material drivers in a variety of ways to provide understanding of dynamic impacts. Most recently we have considered the 2021 Bank of England scenario for stress testing of banks. Whilst this scenario contains many elements which are not directly relevant to the Group, we have considered how the scenario might nevertheless impact the business. Our conclusion is that we believe this would have a less onerous financial impact than the scenarios which we regularly consider.

As an example of a scenario which the business developed and which was considered in March 2021, we assessed the direct financial implications of the ongoing COVID-19 pandemic under a range of economic recovery scenarios. In our more pessimistic scenario, we looked at the immediate impacts and the impact over five years, where we further assumed there were extreme immediate impacts and an 'L' shaped recovery for both new business and market performance over the projection period. That is to say, in this pessimistic scenario, we assumed both the market performance and the impact on new business did not fully recover. In all scenarios, the Group was expected to remain adequately capitalised with sufficient liquid resources and therefore we remain confident of the Group's viability. While we remain viable under these more extreme scenarios, the Group's profits and therefore future dividends would diminish.

It is also worth noting that when extreme events materialise, or the level of uncertainty in the external environment increases, management react accordingly by taking appropriate and measured actions. For example, following the initial uncertainty around COVID-19, the Board decided to withhold around one-third of the proposed 2019 final dividend until March 2021 when the impacts of COVID-19 had become clearer and the dividend was released. This prudent judgement ensured we were comfortable in our resilience and ability to protect clients while continuing investment in the business to increase shareholder value. As a result of our approach we have been well placed to benefit from the return of investor confidence and continue to follow our strategy for growth.

We remain confident that the Group is able to respond to any unforeseen events to ensure the Group remains viable.

Resilience over different time horizons

The table below provides an indication of which risks are relevant over different timeframes and why the Group is considered to be resilient over these timeframes.

<table>
<tr><td colspan="2">Over the next year</td></tr>
<tr><td>Risks:

Over the short term, key risks are most likely to be operational, such as cybercrime or failure of operational processes. The emergence of new variants of COVID-19, which incorporate vaccine resistance, is also a key risk to business performance if they lead to downturns in markets and/or new investments, or to continued people-related risks which impact on our operations.

Strategic risks which could have a shorter-term impact relate to: maintaining high engagement with the Partnership whilst being limited to fewer in-person events; the pace of delivery of our technological and data strategy; and talent management.

It is not expected that solvency will be an issue in the short-term due to our matching approach on liabilities. Liquidity risks would be relevant for this time window since liquidity risks tend</td><td>Resilience:

The Group generates relatively steady cash profits on new business and existing funds under management which increase each year as funds in gestation 'mature'.

In stress and scenario testing the Group demonstrates a high degree of resilience in its solvency level to falls in markets and new business. If severe risks materialised over the year, the Group's profitability would reduce and whilst other options would be explored first, curtailing investment or reducing dividends would be obvious ways to further protect the financial strength of the business.

Operational resilience and business continuity are also important and risks which might cause severe business disruption are carefully managed. There are not considered to</td></tr>
</table>

<table>
<tr><td>to be short term in nature. However, we do not anticipate there being any liquidity risks given the approach to Group and subsidiary entity dividends and liquidity management in general. These risks are also relevant for the longer time periods.</td><td>be any material uncertainties over the ability of the Group to survive over the one-year time horizon.</td></tr>
<tr><td colspan="2">Over the next five years</td></tr>
<tr><td>Risks:

Over the medium term, key risks are: investor sentiment; market impacts; changes to regulation or regulatory expectations particularly relating to advice; and further tax changes to tackle the UK’s increased national debt.

The importance of technology in the client proposition is only likely to become more important and risks may materialise from non-traditional competitors seeking to disrupt the UK financial advice market.

Examples of strategic risks relate to ensuring we continue to provide the best proposition for Partners at each stage of their journey with SJP to support productivity and retention and ensuring we live up to our leading responsible business goals.</td><td>Resilience:

Counteracting the medium-term risks, there is more time to respond and take actions to manage the Group’s prospects. As already referenced, stress and scenario testing takes place which provides comfort over the Group’s ability to weather storms over a five-year time horizon and adapt. The Group’s strategy is designed to navigate the threats and keep our proposition attractive for existing and potential clients. As the largest wealth manager in the UK the Group is well resourced to effectively respond to regulatory change and deal with increased regulatory complexity.

Whilst the importance of technology in the advice space will grow, we believe that overall our target market will continue to value human interaction in discussing sensitive financial matters. Delivery of our technology strategy will support clients and advisers in making the most of their interactions and drive efficiency of the back office.

Ensuring that we have an excellent proposition for Partners is a core focus for the Group and careful consideration is given to how we should evolve our proposition over time to ensure we develop and retain excellent advisers in the Partnership.</td></tr>
<tr><td colspan="2">Beyond 2026</td></tr>
<tr><td>Risks:

Most of the shorter-term risks will remain relevant, however, over the longer term the impact of artificial intelligence and machine learning in both investment management and advice will become more prevalent.

Risks from climate change relating to investor sentiment and political change are relevant now but the consequences of failure to act will be felt more and more over time. We are committed to be climate positive in our operations by 2025, net zero in our supply chain by 2035 and net zero in our investments by 2050. If we fail to deliver on these commitments, then this could have a significant reputational impact within this time horizon.</td><td>Resilience:

When we look five or six years ahead all current funds in ‘gestation’ will be expected to be contributing to profits and therefore increasing our expected financial resilience.

We are exploring opportunities in relation to machine learning and other technology solutions as part of our technology strategy. This is being done cautiously to manage potential risks, but failure to build capabilities in this space may present the larger risk from a competitive perspective.

We have been developing our responsible investing proposition for some years and welcome the focus in this area as the right thing to do and as an opportunity to maximise client benefit through our active investment management approach.

We are increasing the governance and measurement of delivery against our responsible business commitments to ensure confidence of delivery.</td></tr>
</table>

Conclusion

In accordance with UK Corporate Governance Code (provision 31), the Directors have assessed the Group’s current financial position and prospects over the next five-year period and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due. The Directors believe that the risk planning, management processes and culture, allow for a robust and effective risk management environment.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Insurance premium income		**36.5**	40.1
Less premiums ceded to reinsurers		**(23.2)**	(25.1)
Net insurance premium income		**13.3**	15.0
Fee and commission income	4	**2,737.2**	2,096.4
Investment return	5	**15,275.4**	5,949.6
Net income		**18,025.9**	8,061.0
Policy claims and benefits			
– Gross amount		**(62.8)**	(54.0)
– Reinsurers' share		**16.9**	20.4
Net policyholder claims and benefits incurred		**(45.9)**	(33.6)
Change in insurance contract liabilities			
– Gross amount		**(9.7)**	(5.9)
– Reinsurers' share		**(9.9)**	3.6
Net change in insurance contract liabilities		**(19.6)**	(2.3)
Movement in investment contract benefits	5	**(15,186.7)**	(5,910.7)
Expenses		**(1,931.3)**	(1,688.0)
Profit before tax	3	**842.4**	426.4
Tax attributable to policyholders' returns	6	**(488.6)**	(98.8)
Profit before tax attributable to shareholders' returns		**353.8**	327.6
Total tax expense	6	**(554.8)**	(164.4)
Less: tax attributable to policyholders' returns	6	**488.6**	98.8
Tax attributable to shareholders' returns	6	**(66.2)**	(65.6)
Profit and total comprehensive income for the year		**287.6**	262.0
Profit attributable to non-controlling interests		**0.9**	–
Profit attributable to equity shareholders		**286.7**	262.0
Profit and total comprehensive income for the year		**287.6**	262.0

		Pence	Pence
Basic earnings per share	15	**53.3**	49.1
Diluted earnings per share	15	**52.5**	48.6

The results relate to continuing operations.

Consolidated Statement of Changes in Equity

		Equity attributable to owners of the Parent Company							
		Share capital	**Share premium**	**Shares in trust reserve**	**Misc. Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Note	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**	**£'Million**
At 1 January 2020		80.2	182.4	(16.4)	2.5	699.4	948.1	(0.9)	947.2
Profit and total comprehensive income for the year		–	–	–	–	262.0	262.0	–	262.0
Dividends	15	–	–	–	–	(107.1)	(107.1)	–	(107.1)
Exercise of options	15	0.4	2.9	–	–	–	3.3	–	3.3
Consideration paid for own shares		–	–	(3.9)	–	–	(3.9)	–	(3.9)
Shares sold during the year		–	–	5.5	–	(5.5)	–	–	–
Retained earnings credit in respect of share option charges		–	–	–	–	10.6	10.6	–	10.6
At 31 December 2020		**80.6**	**185.3**	**(14.8)**	**2.5**	**859.4**	**1,113.0**	**(0.9)**	**1,112.1**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**286.7**	**286.7**	**0.9**	**287.6**
Dividends	15	**–**	**–**	**–**	**–**	**(329.9)**	**(329.9)**	**–**	**(329.9)**
Issue of share capital	15	**0.1**	**10.2**				**10.3**		**10.3**
Exercise of options	15	**0.4**	**18.3**	**–**	**–**	**–**	**18.7**	**–**	**18.7**
Shares sold during the year		**–**	**–**	**6.3**	**–**	**(6.3)**	**–**	**–**	**–**
Retained earnings credit in respect of share option charges		**–**	**–**	**–**	**–**	**20.4**	**20.4**	**–**	**20.4**
At 31 December 2021		**81.1**	**213.8**	**(8.5)**	**2.5**	**830.3**	**1,119.2**	**-**	**1,119.2**

Consolidated Statement of Financial Position

	Note	As at 31 December 2021 £'Million	As at 31 December 2020 £'Million
Assets			
Goodwill	7	**29.6**	31.0
Deferred acquisition costs	7	**379.6**	424.5
Intangible assets			
– Purchased value of in-force business	7	**14.4**	17.6
– Computer software	7	**27.0**	23.5
Property and equipment	8	**154.5**	174.4
Deferred tax assets	6	**20.6**	14.4
Investment in associates		**1.4**	-
Reinsurance assets		**82.4**	92.3
Other receivables	10	**2,923.0**	2,579.2
Investments			
– Investment property	9	**1,568.5**	1,526.7
– Equities	9	**106,782.3**	83,359.2
– Fixed income securities	9	**29,305.9**	27,701.4
– Investment in Collective Investment Schemes	9	**5,513.2**	5,890.2
– Derivative financial instruments	9	**1,094.6**	1,386.8
Cash and cash equivalents	9	**7,832.9**	6,660.1
Total assets		**155,729.9**	129,881.3
Liabilities			
Borrowings	12	**433.0**	341.8
Deferred tax liabilities	6	**649.8**	378.1
Insurance contract liabilities		**572.3**	562.6
Deferred income	7	**562.6**	579.9
Other provisions		**44.1**	34.3
Other payables	11	**2,604.5**	2,038.0
Investment contract benefits	9	**110,349.8**	93,132.7
Derivative financial instruments	9	**1,019.5**	749.9
Net asset value attributable to unit holders	9	**38,369.0**	30,919.1
Income tax liabilities		**6.1**	32.7
Preference shares		**-**	0.1
Total liabilities		**154,610.7**	128,769.2
Net assets		**1,119.2**	1,112.1
Shareholders' equity			
Share capital	15	**81.1**	80.6
Share premium		**213.8**	185.3
Shares in trust reserve		**(8.5)**	(14.8)
Miscellaneous reserves		**2.5**	2.5
Retained earnings		**830.3**	859.4
Equity attributable to owners of the Parent Company		**1,119.2**	1,113.0
Non-controlling interests		**-**	(0.9)
Total equity		**1,119.2**	1,112.1
		Pence	Pence
Net assets per share		**207.1**	207.0

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Cash flows from operating activities			
Cash generated from operations	13	**1,741.0**	102.5
Interest received		**19.2**	33.1
Interest paid		**(10.2)**	(11.6)
Income taxes paid	6	**(319.1)**	(248.1)
Contingent consideration		**(1.3)**	-
Net cash inflow/(outflow) from operating activities		**1,429.6**	(124.1)
Cash flows from investing activities			
Payments for property and equipment	8	**(3.4)**	(8.0)
Payment of software development costs	7	**(19.2)**	(18.8)
Payments for acquisition of subsidiaries and other business combinations, net of cash acquired		**(6.6)**	(22.4)
Proceeds from sale of shares in subsidiaries and other business combinations, net of cash disposed		**4.1**	-
Net cash (outflow) from investing activities		**(25.1)**	(49.2)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options		**18.7**	3.3
Consideration paid for own shares		**-**	(3.9)
Proceeds from borrowings	12	**576.4**	270.0
Repayment of borrowings	12	**(486.1)**	(332.1)
Principal elements of lease payments		**(10.7)**	(10.0)
Dividends paid to Company's shareholders	15	**(329.9)**	(107.1)
Net cash (outflow) from financing activities		**(231.6)**	(179.8)
Net increase/(decrease) in cash and cash equivalents		**1,172.9**	(353.1)
Cash and cash equivalents at 1 January	9	**6,660.1**	7,013.6
Effects of exchange rate changes on cash and cash equivalents		**(0.1)**	(0.4)
Cash and cash equivalents at 31 December	9	**7,832.9**	6,660.1

Notes to the Consolidated Financial Statements under International Financial Reporting Standards

1. Accounting policies

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the Group).

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

Within the Financial Statements, a number of alternative performance measures (APMs) are disclosed. An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards as adopted by the UK Endorsement Board. APMs are used to provide greater insight into the performance of the Group and the way it is managed by the Directors. The Glossary of Alternative Performance Measures on pages 72 to 74 defines each APM, explains why it is used and, where applicable, explains how the measure can be reconciled to the IFRS Financial Statements.

Other accounting polices

The other accounting policies used by the Group in preparing the results are consistent with those applied in preparing the statutory accounts for the year ended 31 December 2020.

2. Critical accounting estimates and judgements in applying accounting policies

Judgements

The primary areas in which the Group has applied judgement are as follows:

Consolidation

Entities are consolidated within the Group Financial Statements if they are controlled by the Group. Control exists if the Group is exposed to, or has rights to, variable returns from its involvement with the entity and the Group has the ability to affect those returns through its power over the entity. Significant judgement can be involved in determining whether the Group controls an entity, such as in the case of the structured entity set up for the Group's securitisation transaction, SJP Partner Loans No.1 Limited, and for the Group's unit trusts.

A structured entity is one that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. As a result, factors such as whether a Group entity is able to direct the relevant activities of the entity and the extent to which the Group is exposed to variability of returns are considered. In the case of SJP Partner Loans No.1 Limited, it was determined that the Group does control the entity and hence it is consolidated. This is due to an entity in the Group holding the junior tranche of loan notes, hence being subject to variability of returns, and the same entity being able to direct the relevant activities of the structured entity through its role of servicer to the securitised portfolio.

Unit trusts are consolidated when the Group holds more than 30% of the units in that unit trust. This is the threshold at which the Group is considered to achieve control, having regard for factors such as:

- the scope of decision-making authority held by St. James's Place Unit Trust Group Limited, the unit trust manager;
- rights held by external parties to remove the unit trust manager; and
- the Group's exposure to variable returns through its holdings in the unit trusts and its ability to influence the unit trust manager's remuneration.

Determining non-performing business loans to Partners

Business loans to Partners are considered to be non-performing, in the context of the definition prescribed within IFRS 9, if they are in default. This is defined as a loan to either:

- a Partner who has left the St. James's Place Partnership; or
- a Partner whom management considers to be at significant risk of leaving the Partnership and where an orderly settlement of debt is considered to be in question.

Estimates

Critical accounting estimates are those which give rise to a significant risk of material adjustment to the balances recognised in the Financial Statements within the next 12 months. The Group's critical accounting estimates are:

- determining the value of insurance contract liabilities;
- determining the fair value of investment property; and
- determining the fair value of Level 3 fixed income securities and equities.

Estimates are also applied in other assets of the Financial Statements, including determining the value of deferred tax assets, investment contract benefits, the operational readiness prepayment and other provisions.

Measurement of insurance contract liabilities
The assumptions used in the calculation of insurance contract liabilities that have an effect on the Statement of Comprehensive Income of the Group are:

- the lapse assumption, which is set prudently based on an investigation of experience during the year;
- the level of expenses, which is based on actual expenses in 2021 and expected rates in 2022 and over the long term;
- the mortality and morbidity rates, which are based on the results of an investigation of experience during the year; and
- the assumed rate of investment return, which is based on current gilt yields.

Whilst the measurement of insurance contract liabilities is considered to be a critical accounting estimate for the Group, the vast majority of non-unit-linked insurance business written is reinsured. As a result, the impact of a change in estimate in determining the value of insurance contract liabilities would be mitigated to a significant degree by the impact of the change in estimate in determining the value of reinsurance assets.

Determining the fair value of investment property
In accordance with IAS 40, the Group initially recognises investment properties at cost, and subsequently remeasures its portfolio to fair value in the Statement of Financial Position. Fair value is determined monthly by professional external valuers. It is based on anticipated market values for the properties in accordance with the guidance issued by the Royal Institution of Chartered Surveyors (RICS), 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, the 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 on the attractiveness of a building, its location and the surrounding environment. Wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations – and current and historic land use. As such, investment properties are classified as Level 3 in the IFRS 13 fair value hierarchy because they are valued using techniques which are not based on observable inputs.

During 2020 COVID-19 impacted investment property valuations, particularly retail and leisure assets which fell in value. During 2021 the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. However, during the year property markets have continued to function, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists on which to base opinions of value.

Determining the fair value of Level 3 fixed income securities and equities
In accordance with IFRS 9, the Group elects to classify its portfolio of policyholder fixed income securities at fair value through profit and loss to match the accounting for policyholder liabilities. Its portfolio of equities is required to be held at fair value through profit and loss. As a result, all fixed income securities and equities are initially held at cost and are subsequently remeasured to fair value at the reporting date.

During 2020 and 2021, a number of investments were made into private credit and private equity assets, which are recognised within fixed income securities and within equities, respectively, on the Consolidated Statement of Financial Position. The fair value of these assets is determined following a monthly valuation process which uses two different valuation models and includes verification by professional external valuers. The models use suitable market comparatives and an estimate of future cash flows expected to flow from the issuing entity.

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 methodology and the point in the range of valuations to select as the fair value. As the inputs to the valuation models are unobservable, the investments in private credit and private equity assets are classified as Level 3 in the IFRS 13 fair value hierarchy.

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 details the different types of revenue received from our wealth management business.

Segment profit

Two separate measures of profit are monitored on a monthly basis by the Board. These are the post-tax Underlying cash result and pre-tax European Embedded Value (EEV).

Underlying cash result

The measure of cash profit monitored on a monthly basis by the Board is the post-tax Underlying cash result. This reflects emergence of cash available for paying a dividend during the year. Underlying cash is based on the IFRS result excluding the impact of intangibles, principally DAC, DIR, PVIF, goodwill, deferred tax, and strategic expenses. As the cost associated with non-cash-settled share options is reflected in changes in shareholder equity, they are also not included in the Underlying cash result.

More detail is provided on pages 20 to 22 of the Financial Review.

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Underlying cash result after tax	**401.2**	264.7
Non-cash-settled share-based payments	**(20.4)**	(10.6)
Impacts of deferred tax	**0.5**	(8.2)
Back-office infrastructure	**-**	(10.0)
Restructuring[1]	**(9.7)**	-
Impact in the year of DAC/DIR/PVIF	**(28.0)**	(29.6)
Policyholder tax asymmetry (see Note 4)[2]	**(52.9)**	61.7
Other	**(3.1)**	(6.0)
IFRS profit after tax	**287.6**	262.0
Shareholder tax	**66.2**	65.6
Profit before tax attributable to shareholders returns	**353.8**	327.6
Tax attributable to policyholder returns	**488.6**	98.8
IFRS profit before tax	**842.4**	426.4

1) Further information on restructuring can be found on page 22.

2) Further information on policyholder tax asymmetry can be found on page 16.

EEV operating profit

EEV operating profit is monitored on a monthly basis by the Board. The components of the EEV operating profit are included in more detail in the Financial Review within the Annual Report and Accounts.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
EEV operating profit before tax	**1,545.4**	919.0
Investment return variance	**894.5**	304.4
Economic assumption changes	**4.2**	(47.4)
EEV profit before tax	**2,444.1**	1,176.0
Adjustments to IFRS basis		
Deduct: amortisation of purchased value of in-force business	**(3.2)**	(3.2)
Movement of balance sheet life value of in-force business (net of tax)	**(824.5)**	(465.7)
Movement of balance sheet unit trust and DFM value of in-force business (net of tax)	**(337.3)**	(91.9)
Corporation tax rate change	**(412.7)**	(126.9)
Tax on movement in value of in-force business	**(512.6)**	(160.7)
Profit before tax attributable to shareholders' returns	**353.8**	327.6
Tax attributable to policyholder returns	**488.6**	98.8
IFRS profit before tax	**842.4**	426.4

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

Segment assets

Funds under management (FUM)

FUM, as reported in Section 1 of the Financial Review on page 14, is the measure of segment assets which is monitored on a monthly basis by the Board.

	31 December 2021	31 December 2020
	£'Million	£'Million
Investment	**35,950.0**	32,220.0
Pension	**74,830.0**	61,310.0
UT/ISA and DFM	**43,210.0**	35,810.0
Total FUM	**153,990.0**	129,340.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	**(4,811.5)**	(4,864.4)
Other	**2,392.5**	1,551.9
Gross assets held to cover unit liabilities	**151,571.0**	126,027.5
IFRS intangible assets (see page 24 adjustment 2)	**551.6**	605.4
Shareholder gross assets (see page 24)	**3,607.3**	3,248.4
Total assets	**155,729.9**	129,881.3

4. Fee and commission income

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Advice charges (post-RDR)	**946.7**	767.4
Third-party fee and commission income	**135.8**	112.2
Wealth management fees	**974.5**	812.4
Investment management fees	**63.4**	70.4
Fund tax deductions	**486.9**	98.8
Policyholder tax asymmetry	**(52.9)**	61.7
Discretionary fund management fees	**22.4**	17.5
Fee and commission income before DIR amortisation	**2,576.8**	1,940.4
Amortisation of DIR	**160.4**	156.0
Total fee and commission income	**2,737.2**	2,096.4

For all post-Retail Distribution Review (RDR) business, advice charges are received from clients for the provision of initial and ongoing advice in relation to an investment into a St. James's Place or third-party product.

Where an investment has been made into a third-party product, third-party fee and commission income is received from the product provider.

Where an investment has been made into a St. James's Place product, the initial product charge and any dealing margin is deferred and recognised as a deferred income liability. This liability is extinguished, and income recognised, over the expected life of the investment. The income is the amortisation of DIR in the table above. Ongoing product charges for St. James's Place products are recognised within wealth management fees. This line also includes advice charges on pre-RDR business, for which an explicit advice charge was not made.

Investment management fees are received from clients for the provision of all aspects of investment management. Broadly, investment management fees match investment management expenses.

Fund tax deductions represent amounts credited to, or deducted from, the life insurance business to match policyholder tax credits or charges.

Wealth management fees recognises charges levied on manufactured business. 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 ("Fund tax deductions" above). 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 Consolidated Statement of Financial Position between the deferred tax position and the offsetting client balance. The net tax asymmetry balance reflects a temporary position, and in the absence of market volatility we expect it will unwind as future cash flows become less uncertain and are ultimately realised.

Market conditions will impact the level of asymmetry experienced in a year and may be significant where there is market volatility. Market improvement in 2021 has resulted in a significant negative movement, impacting both profit before shareholder tax and profit after tax. Most of this 2021 asymmetry movement is an unwind of prior year positive effects which arose from prior year market falls

Discretionary fund management fees are received from clients for the provision of DFM services.

5. Investment return and movement in investment contract benefits

The majority of the business written by the Group is unit-linked investment business, and so investment contract benefits are measured by reference to the underlying net asset value of the Group's unitised investment funds. As a result, investment return on the unitised investment funds and the movement in investment contract benefits are linked.

Investment return

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Investment return on net assets held to cover unit liabilities:		
Rental income	**74.7**	86.3
Gain/(loss) on revaluation of investment properties	**181.4**	(109.7)
Net investment return on financial instruments classified as fair value through profit and loss	**11,400.2**	4,832.4
	11,656.3	4,809.0
Attributable to unit-linked insurance contract liabilities	***52.8***	*25.4*
Attributable to unit-linked investment contract benefits	***11,603.5***	*4,783.6*
	11,656.3	4,809.0
Income attributable to third-party holdings in unit trusts	**3,583.2**	1,127.1
	15,239.5	5,936.1
Investment return on shareholder assets:		
Net investment return on financial instruments classified as fair value through profit and loss	**17.7**	(4.2)
Interest income on financial instruments held at amortised cost	**18.2**	17.7
	35.9	13.5
Total investment return	**15,275.4**	5,949.6

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 £985.1 million (2020: £1,017.4 million).

Movement in investment contract benefits

	2021	2020
	£'Million	£'Million
Balance at 1 January	**93,132.7**	83,558.5
Deposits	**12,438.1**	10,215.4
Withdrawals	**(5,607.5)**	(4,586.4)
Movement in unit-linked investment contract benefits	**11,603.5**	4,783.6
Fees and other adjustments	**(1,217.0)**	(838.4)
Balance at 31 December	**110,349.8**	93,132.7
Current	**5,585.4**	4,841.0
Non-current	**104,764.4**	88,291.7
	110,349.8	93,132.7
Movement in unit liabilities		
Unit-linked investment contract benefits	**11,603.5**	4,783.6
Third-party unit trust holdings	**3,583.2**	1,127.1
Movement in investment contract benefits in the Consolidated Statement of Comprehensive Income	**15,186.7**	5,910.7

6. Income and deferred taxes

Tax for the year

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Current tax		
UK corporation tax		
– Current year charge	**294.1**	157.9
– Adjustment in respect of prior year	**(6.7)**	(1.0)
Overseas taxes		
– Current year charge	**6.1**	8.5
– Adjustment in respect of prior year	**0.1**	-
	293.6	165.4
Deferred tax		
Unrealised capital (losses)/gains in unit-linked funds	**266.7**	(4.0)
Unrelieved expenses		
– Additional expenses recognised in the year	**(10.8)**	(10.4)
– Utilisation in the year	**11.6**	11.8
Capital losses		
– Revaluation in the year	**(1.4)**	-
– Utilisation in the year	**9.2**	13.7
– Adjustment in respect of prior year	**4.0**	0.8
DAC, DIR and PVIF	**(8.9)**	(10.0)
Share-based payments	**(8.7)**	-
Other items	**(0.5)**	(1.9)
Overseas losses	**(1.1)**	(0.5)
Adjustment for change in tax rate	**0.4**	(1.4)
Adjustments in respect of prior periods	**0.7**	0.9
	261.2	(1.0)
Total tax charge for the year	**554.8**	164.4
Attributable to:		
– policyholders	**488.6**	98.8
– shareholders	**66.2**	65.6
	554.8	164.4

The prior year adjustment of £6.7 million in current tax above represents a credit of £6.0 million in respect of policyholder tax (2020: £1.4 million credit) and a credit of £0.7 million in respect of shareholder tax (2020: £0.4 million charge). The prior year adjustment of £4.7 million in deferred tax above represents a credit of £nil in respect of policyholder tax and a charge of £4.7 million in respect of shareholder tax (2020: deferred tax relates entirely to shareholder tax).

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.

Reconciliation of tax charge to expected tax

	Year ended 31 December 2021		Year ended 31 December 2020	
	£'Million		£'Million	
Profit before tax	**842.4**		426.4	
Tax attributable to policyholders' returns	**(488.6)**		(98.8)	
Profit before tax attributable to shareholders' return	**353.8**		327.6	
Shareholder tax charge at corporate tax rate of 19% (2020: 19%)	**67.2**	**19%**	62.2	19%
Adjustments:				
Lower rates of corporation tax in overseas subsidiaries	**(1.2)**	**(0.3%)**	(1.3)	(0.4%)
Expected shareholder tax	**66.0**	**18.6%**	60.9	18.6%
Effects of:				
Non-taxable income	**(0.9)**		(0.9)	
Revaluation of historic capital losses in the Group	**(1.4)**		-	
Adjustment for change in tax rates	**0.4**		(1.4)	
Adjustment in respect of prior year				
– Current tax	**(0.7)**		0.4	
– Deferred tax	**4.7**		0.4	
Differences in accounting and tax bases in relation to employee share schemes	**(4.6)**		(0.3)	
Impact of difference in tax rates between current and deferred tax	**(2.4)**		-	
Disallowable expenses	**4.0**		3.8	
Provision for future liabilities	**0.3**		1.7	
Tax losses not recognised	**1.2**		0.8	
Other	**(0.4)**		0.2	
	0.2	**0.1%**	4.7	1.4%
Shareholder tax charge	**66.2**	**18.7%**	65.6	20.0%
Policyholder tax charge	**488.6**		98.8	
Total tax charge for the year	**554.8**		164.4	

Tax calculated on profit before tax at 19% (2020: 19%) would amount to £160.1 million (2020: £81.0 million). The difference of £394.7 million (2020: £83.4 million) between this number and the total tax of £554.8 million (2020: £164.4 million) is made up of the reconciling items above which total (£1.0) million (2020: £3.4 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £395.7 million (2020: £80.0 million).

Tax paid in the year

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Current tax charge for the year	**293.6**	165.4
(Payments to be made) in future years in respect of current year	**(3.6)**	(30.3)
Payments made in current year in respect of prior years	**27.3**	113.6
Other	**1.8**	(0.6)
Tax paid	**319.1**	248.1
Tax paid can be analysed as:		
– Taxes paid in UK	**306.0**	233.1
– Taxes paid in overseas jurisdictions	**4.7**	2.4
– Withholding taxes suffered on investment income received	**8.4**	12.6
Total	**319.1**	248.1

Deferred tax balances

Deferred tax assets

	Deferred acquisition costs (DAC)	Deferred income (DIR)	Renewal income assets	Share-based payments	Fixed asset temporary differences	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020	(19.5)	32.6	(10.9)	6.5	4.9	0.6	14.2
Credit to the Statement of Comprehensive Income							
– Utilised and created in year	2.3	(3.0)	2.3	(0.1)	0.1	0.1	1.7
– Impact of tax rate change	(2.2)	3.5	(1.6)	0.4	0.6	(0.1)	0.6
Total credit	0.1	0.5	0.7	0.3	0.7	-	2.3
Impact of acquisition	-	-	(2.1)	-	-	-	(2.1)
At 31 December 2020	**(19.4)**	**33.1**	**(12.3)**	**6.8**	**5.6**	**0.6**	**14.4**
(Charge)/credit to the Statement of Comprehensive Income:							
– Utilised and created in year	**1.4**	**(1.5)**	**(0.8)**	**8.8**	**1.5**	**(0.5)**	**8.9**
– Impact of tax rate change	**(3.6)**	**6.2**	**(2.0)**	**0.6**	**0.7**	**(0.3)**	**1.6**
Total (charge)/credit	**(2.2)**	**4.7**	**(2.8)**	**9.4**	**2.2**	**(0.8)**	**10.5**
Impact of acquisition	**-**	**-**	**(4.3)**	**-**	**-**	**-**	**(4.3)**
At 31 December 2021	**(21.6)**	**37.8**	**(19.4)**	**16.2**	**7.8**	**(0.2)**	**20.6**

Expected utilisation period							
As at 31 December 2020	14 years	14 years	20 years	3 years	6 years		
As at 31 December 2021	**14 years**	**14 years**	**20 years**	**3 years**	**6 years**		

Deferred tax liabilities

	Unrelieved expenses on life insurance business	Deferred acquisition costs (DAC)	Capital losses (available for future relief)	Unrealised capital gains on life insurance assets backing unit liabilities (BLAGAB)	Purchased value of in-force business (PVIF)	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020	(41.2)	38.0	(44.6)	420.1	3.5	1.0	376.8
Charge/(credit) to the Statement of Comprehensive Income							
– Utilised and created in year	1.4	(10.1)	14.5	(2.8)	(0.6)	(0.3)	2.1
– Impact of tax rate change	-	4.2	(5.4)	-	0.4	-	(0.8)
Total charge/(credit)	1.4	(5.9)	9.1	(2.8)	(0.2)	(0.3)	1.3
At 31 December 2020	**(39.8)**	**32.1**	**(35.5)**	**417.3**	**3.3**	**0.7**	**378.1**
Charge/(credit) to the Statement of Comprehensive Income:							
– Utilised and created in year	**0.7**	**(8.4)**	**11.7**	**266.8**	**(0.6)**	**(0.5)**	**269.7**
– Impact of tax rate change	**-**	**4.3**	**(3.0)**	**-**	**0.7**	**-**	**2.0**
Total charge/(credit)	**0.7**	**(4.1)**	**8.7**	**266.8**	**0.1**	**(0.5)**	**271.7**
At 31 December 2021	**(39.1)**	**28.0**	**(26.8)**	**684.1**	**3.4**	**0.2**	**649.8**

Expected utilisation period							
As at 31 December 2020	6 years	14 years	6 years	6 years	5 years		
As at 31 December 2021	**6 years**	**14 years**	**5 years**	**5 years**	**4 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.

At the reporting date there were unrecognised deferred tax assets of £14.0 million (2020: £16.3 million) in respect of £82.2 million (2020: £96.5 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.

In the UK budget of 3 March 2021, it was announced that the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 within the Finance Bill 2021 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 a £0.4m charge.

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 2020	15.6	73.4	25.0	1,309.8	(1,538.6)
Additions	15.4	–	18.8	27.1	(121.2)
Disposals	–	–	–	(103.0)	90.6
At 31 December 2020	**31.0**	**73.4**	**43.8**	**1,233.9**	**(1,569.2)**
Additions	**0.5**	**–**	**19.2**	**41.2**	**(143.1)**
Disposals	**(0.4)**	**–**	**–**	**(130.9)**	**113.2**
Change in capitalisation policy[1]	–	–	**(7.7)**	**–**	–
At 31 December 2021	**31.1**	**73.4**	**55.3**	**1,144.2**	**(1,599.1)**
Accumulated amortisation and impairment					
At 1 January 2020	–	52.6	16.1	819.8	(923.9)
Charge for the year	–	3.2	4.2	92.6	(156.0)
Eliminated on disposal	–	–	–	(103.0)	90.6
At 31 December 2020	**–**	**55.8**	**20.3**	**809.4**	**(989.3)**
Charge for the year	**1.5**	**3.2**	**10.6**	**86.1**	**(160.4)**
Eliminated on disposal	**–**	**–**	**–**	**(130.9)**	**113.2**
Change in capitalisation policy[1]	**–**	**–**	**(2.6)**	**–**	**–**
At 31 December 2021	**1.5**	**59.0**	**28.3**	**764.6**	**(1,036.5)**
Carrying value					
At 1 January 2020	15.6	20.8	8.9	490.0	(614.7)
At 31 December 2020	31.0	17.6	23.5	424.5	(579.9)
At 31 December 2021	**29.6**	**14.4**	**27.0**	**379.6**	**(562.6)**
Current	–	3.2	7.0	79.1	(162.0)
Non-current	29.6	11.2	20.0	300.5	(400.6)
	29.6	**14.4**	**27.0**	**379.6**	**(562.6)**

1) The March 2021 IFRS Interpretations Committee update included an agenda decision on 'Configuration and Customisation costs in a Cloud Computing arrangement' which was ratified by the IASB in April 2021. As a result of the decision the carrying value of computer software assets has been reassessed, and the impact of the revised capitalisation policy has been charged to the Statement of Comprehensive Income.

Outstanding amortisation period					
At 31 December 2020	n/a	5 years	5 years	14 years	6 to 14 years
At 31 December 2021	**n/a**	**4 years**	**5 years**	**14 years**	**6 to 14 years**

Goodwill

The carrying value of goodwill split by acquisition is as follows:

	31 December 2021	31 December 2020
	£'Million	£'Million
Jeremy Barrett businesses	**-**	0.4
Lewington Wealth Management Ltd (formerly Jamie Lewington & Co Limited)	**0.5**	-
Policy Services companies	**7.7**	7.7
Rowan Dartington companies	**1.8**	1.8
SJP Asia companies	**10.1**	10.1
Technical Connection Limited	**3.7**	3.7
Willson Grange businesses	**5.8**	7.3
Balance at 31 December	**29.6**	31.0

Goodwill is reviewed at least annually for impairment, or when circumstances or events indicate there may be uncertainty over its value. The recoverable amount has been based on value-in-use calculations using pre-tax cash flows. Details of the assumptions made in these calculations are provided below:

Key assumptions based on experience:	Value of new business and expenses
Projection period:	Five years extrapolated into perpetuity/10 years
Pre-tax discount rate based on a risk-free rate plus a risk margin:	3.4% to 9.2% (2020: 3.4% to 8.4%)

It is considered that no reasonably possible levels of change in the key assumptions, including the impacts of COVID-19, would result in impairment of the goodwill.

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

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

DIR

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

8. Property and equipment, including leased assets

	Fixtures, fittings and office equipment	Computer equipment	Leased assets: properties	Total
	£'Million	£'Million	£'Million	£'Million
Cost				
At 1 January 2020	68.1	8.4	141.5	218.0
Additions	6.6	1.4	26.1	34.1
Disposals	(2.3)	(4.3)	(3.6)	(10.2)
At 31 December 2020	**72.4**	**5.5**	**164.0**	**241.9**
Additions	**2.2**	**1.2**	**1.5**	**4.9**
Disposals	**(18.5)**	**-**	**(6.9)**	**(25.4)**
At 31 December 2021	**56.1**	**6.7**	**158.6**	**221.4**
Accumulated depreciation				
At 1 January 2020	30.6	6.2	14.9	51.7
Charge for the year	5.5	1.4	17.2	24.1
Eliminated on disposal	(2.2)	(4.3)	(1.8)	(8.3)
At 31 December 2020	**33.9**	**3.3**	**30.3**	**67.5**
Charge for the year	**5.8**	**1.4**	**14.9**	**22.1**
Eliminated on disposal	**(15.8)**	**-**	**(6.9)**	**(22.7)**
At 31 December 2021	**23.9**	**4.7**	**38.3**	**66.9**
Net book value				
At 1 January 2020	37.5	2.2	126.6	166.3
At 31 December 2020	38.5	2.2	133.7	174.4
At 31 December 2021	**32.2**	**2.0**	**120.3**	**154.5**
Depreciation period (estimated useful life)				
At 31 December 2020	5 to 15 years	3 years	1 to 22 years	
At 31 December 2021	**5 to 15 years**	**3 years**	**1 to 21 years**	

9. Investments, investment property and cash and cash equivalents

Net assets held to cover unit liabilities

Included within the Statement of Financial Position are the following assets and liabilities comprising the net assets held to cover unit liabilities. The 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 24.

	31 December 2021	31 December 2020
	£'Million	£'Million
Assets		
Investment property	**1,568.5**	1,526.7
Equities	**106,782.3**	83,359.2
Fixed income securities	**29,298.1**	27,694.0
Investment in Collective Investment Schemes	**3,907.9**	4,625.4
Cash and cash equivalents	**7,587.2**	6,405.2
Other receivables	**1,332.4**	1,030.2
Derivative financial instruments		
– Currency forwards	***806.8***	*999.9*
– Interest rate swaps	***39.5***	*58.5*
– Index options	***2.7***	*49.7*
– Contracts for differences	***15.5***	*11.8*
– Equity rate swaps	***4.7***	*6.1*
– Foreign currency options	***2.1***	*0.1*
– Total return swaps	***149.8***	*135.5*
– Fixed income options	***0.2***	*79.5*
– Credit default swaps	***73.3***	*45.7*
Total derivative financial assets	**1,094.6**	1,386.8
Total assets	**151,571.0**	126,027.5
Liabilities		
Other payables	**1,344.9**	759.7
Derivative financial instruments		
– Currency forwards	***750.0***	*472.9*
– Interest rate swaps	***106.7***	*79.5*
– Index options	***2.7***	*43.6*
– Contracts for differences	***3.5***	*7.2*
– Equity rate swaps	***13.4***	*11.2*
– Foreign currency options	***1.2***	-
– Total return swaps	***109.7***	*87.3*
– Fixed income options	***0.6***	*33.2*
– Credit default swaps	***31.7***	*15.0*
Total derivative financial liabilities	**1,019.5**	749.9
Total liabilities	**2,364.4**	1,509.6
Net assets held to cover linked liabilities	**149,206.6**	124,517.9
Investment contract benefits	**110,349.8**	93,132.7
Net asset value attributable to unit holders	**38,369.0**	30,919.1
Unit-linked insurance contract liabilities	**487.8**	466.1
Net unit-linked liabilities	**149,206.6**	124,517.9

Net assets held to cover linked liabilities, and third-party holdings in unit trusts, are considered to have a maturity of up to one year since the corresponding unit liabilities are repayable and transferable on demand.

Investment property

	2021	2020
	£'Million	£'Million
Balance at 1 January	**1,526.7**	1,750.9
Capitalised expenditure on existing properties	**19.2**	27.5
Disposals	**(158.8)**	(142.0)
Changes in fair value	**181.4**	(109.7)
Balance at 31 December	**1,568.5**	1,526.7

The Group is the lessor for a portfolio of properties which meet the definition of investment property. The portfolio is held within unit-linked funds, leased out under operating leases, and is considered current. However, since investment properties are not traded in an organised public market they are relatively illiquid compared with many other asset classes. There are no restrictions on the realisability of the Group's individual properties, or on the remittance of income or proceeds of disposal.

The Group follows various strategies to minimise the risks associated with any rights the Group retains in the investment properties. These strategies include:

- actively reviewing and monitoring the condition of the properties and undertaking appropriate repairs, capital works projects and investments;
- engaging professional legal advisers in drafting prudent lease terms governing the use of the properties and engaging specialist asset managers to oversee adherence to these terms on an ongoing basis;
- actively reviewing and monitoring lessee financial covenant positions;
- maintaining appropriate and prudent insurance for the properties; and
- senior management regularly reviewing the investment property portfolio to oversee diversification and performance, and to maximise value and occupancy rates.

Investment property is valued monthly by external chartered surveyors in accordance with the guidance issued by the Royal Institution of Chartered Surveyors. The investment property valuation has been prepared using the 'market approach' valuation technique: that is, using prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The historical cost of investment properties held at 31 December 2021 is £1,557.0 million (2020: £1,655.0 million). This represents the price paid for investment properties, prior to any subsequent revaluation.

The rental income and direct operating expenses recognised in the Consolidated Statement of Comprehensive Income in respect of investment properties are set out below. All expenses relate to property generating rental income.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Rental income	**74.7**	86.3
Direct operating expenses	**10.0**	21.1

At the year-end contractual obligations to purchase, construct or develop investment property amounted to £4.3 million (2020: £10.6 million). The most significant contractual obligations at 31 December 2021 were for the ongoing refurbishments of central London offices totalling £3.2 million.

Contractual obligations to dispose of investment property amounted to £1.4 million (2020: £39.0 million).

A maturity analysis of undiscounted contractual rental income to be received on an annual basis for the next five years, and the total to be received thereafter, is set out below.

	31 December 2021	31 December 2020
	£'Million	£'Million
Undiscounted contractual rental income to be received in:		
Year 1	**66.9**	76.0
Year 2	**64.2**	72.3
Year 3	**59.8**	67.1
Year 4	**51.7**	61.8
Year 5	**42.8**	53.2
Year 6 onwards	**265.2**	276.6
Total undiscounted contractual rental income to be received	**550.6**	607.0

Cash and cash equivalents

	31 December 2021	31 December 2020
	£'Million	£'Million
Cash and cash equivalents not held to cover unit liabilities	**245.7**	254.9
Balances held to cover unit liabilities	**7,587.2**	6,405.2
Total cash and cash equivalents	**7,832.9**	6,660.1

All cash and cash equivalents are considered current.

10. Other receivables

	31 December 2021	31 December 2020
	£'Million	£'Million
Receivables in relation to unit liabilities excluding policyholder interests	**433.6**	479.3
Other receivables in relation to insurance and unit trust business	**71.7**	64.3
Operational readiness prepayment	**296.3**	313.9
Advanced payments to Partners	**71.0**	54.2
Other prepayments	**84.3**	70.3
Business loans to Partners	**521.6**	476.7
Renewal income assets	**102.5**	87.4
Miscellaneous	**6.6**	0.1
Total other receivables on the Solvency II Net Assets Balance Sheet	**1,587.6**	1,546.2
Policyholder interests in other receivables (see Note 9)	**1,332.4**	1,030.2
Policyholder - other (see adjustment 2 on page 24)	**3.0**	2.8
Total other receivables	**2,923.0**	2,579.2
Current	**2,106.1**	1,804.8
Non-current	**816.9**	774.4
	2,923.0	2,579.2

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 those financial assets held at amortised cost is not materially different from amortised cost.

Receivables in relation to unit liabilities and policyholder interests in other receivables 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 which has been 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 no reasonably possible change in the assumptions applied within this assessment, notably levels of future business, the anticipated future service tariffs and the discount rate, would have an 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 on the date of acquisition.

Business loans to Partners

	31 December 2021	31 December 2020
	£'Million	£'Million
Business loans to Partners directly funded by the Group	**307.6**	319.6
Securitised business loans to Partners	**214.0**	157.1
Total business loans to Partners	**521.6**	476.7

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 £214.0 million (2020: £157.1 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 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 or 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 Statement of Financial Position as the Group controls SJP Partner Loans No.1 Limited: refer to the Consolidation section within Note 2 for further information.

Reconciliation of the business loans to Partners opening and closing gross loan balances

	Stage 1 performing	**Stage 2 under-performing**	**Stage 3 non-performing**	**Total**
	£'Million	**£'Million**	**£'Million**	**£'Million**
Gross balance at 1 January 2021	**450.8**	**22.3**	**7.6**	**480.7**
Business loans to Partners classification changes:				
– Transfer to underperforming	**(10.7)**	**10.8**	**(0.1)**	**-**
– Transfer to non-performing	**(0.4)**	**(0.2)**	**0.6**	**-**
– Transfer to performing	**6.7**	**(6.7)**	**-**	**-**
New lending activity during the year	**265.8**	**6.6**	**0.4**	**272.8**
Interest charged during the year	**16.3**	**1.5**	**0.2**	**18.0**
Repayments activity during the year	**(228.0)**	**(13.3)**	**(4.6)**	**(245.9)**
Gross balance at 31 December 2021	**500.5**	**21.0**	**4.1**	**525.6**

	Stage 1 performing	Stage 2 under-performing	Stage 3 non-performing	Total
	£'Million	£'Million	£'Million	£'Million
Gross balance at 1 January 2020	459.7	12.9	7.5	480.1
Business loans to Partners classification changes:				
– Transfer to underperforming	(16.5)	17.1	(0.6)	-
– Transfer to non-performing	(2.7)	**-**	2.7	-
– Transfer to performing	5.4	(4.5)	(0.9)	-
New lending activity during the year	166.6	2.9	1.4	170.9
Interest charged during the year	12.8	0.8	0.2	13.8
Repayments activity during the year	(174.5)	(6.9)	(2.7)	(184.1)
Gross balance at 31 December 2020	450.8	22.3	7.6	480.7

Business loans to Partners: provision

The expected loss impairment model for business loans to Partners is based on the levels of loss experienced in the portfolio, with due consideration given to forward-looking information.

The provision held against business loans to Partners as at 31 December 2021 was £4.0 million (2020: £4.0 million). During the year, £nil of the provision was released (2020: £1.3 million), £0.5 million was utilised (2020: £0.3 million) and new provisions and adjustments to existing provisions increased the total by £0.5 million (2020: £2.0 million).

There is no provision held against any other receivables held at amortised cost.

Business loans to Partners as recognised on the Statement of Financial Position

	31 December 2021	31 December 2020
	£'Million	£'Million
Gross business loans to Partners	**525.6**	480.7
Provision	**(4.0)**	(4.0)
Net business loans to Partners	**521.6**	476.7

Renewal income assets
Movement in renewal income assets

	2021	2020
	£'Million	£'Million
At 1 January	**87.4**	85.7
Additions	**34.6**	16.5
Disposals	**(10.5)**	-
Revaluation	**(9.0)**	(14.8)
Total renewal income assets at 31 December	**102.5**	87.4

The key assumptions used for the assessment of the fair value of the renewal income are as follows:

	31 December 2021	31 December 2020
Lapse rate – SJP Partner renewal income[1]	**5.0% to 15.0%**	5.0% to 15.0%
Lapse rate – non-SJP renewal income[1]	**15.0% to 25.0%**	15.0% to 25.0%
Discount rate	**3.4% to 10.1%**	5.8% to 10.1%

1) Future income streams are projected making use of retention assumptions derived from the Group's experience of the business or, where insufficient data exists, from external industry experience. These assumptions are reviewed on an annual basis.

These assumptions have been used for the analysis of each business combination classified within renewal income.

11. Other payables

	31 December 2021	31 December 2020
	£'Million	£'Million
Payables in relation to unit liabilities excluding policyholder interests	**178.9**	233.6
Other payables in relation to insurance and unit trust business	**448.9**	488.1
Accrual for ongoing advice fees	**141.2**	124.0
Other accruals	**103.6**	66.8
Contract payment	**107.1**	118.1
Lease liabilities	**124.1**	132.7
Miscellaneous	**150.6**	79.6
Total other payables on the Solvency II Net Assets Balance Sheet	**1,254.4**	1,242.9
Policyholder interests in other payables (see Note 9)	**1,344.9**	759.7
Policyholder other (see adjustment 2 on page 24)	**5.2**	35.4
Total other payables	**2,604.5**	2,038.0
Current	**2,405.2**	1,800.7
Non-current	**199.3**	237.3
	2,604.5	2,038.0

Payables in relation to unit liabilities and policyholder interests in other payables 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 £107.1 million (2020: £118.1 million) represents payments made by a third-party service provider to the Group as part of a service agreement, which are non-interest-bearing and repayable over the life of the service agreement. The contract payment received prior to 2020 is repayable on a straight-line basis over the original 12-year term, with repayments commencing on 1 January 2017. The contract payment received in 2020 is repayable on a straight-line basis over 13 years and 4 months, with repayments commencing on 1 September 2020.

Lease liabilities represent the present value of future cash flows associated with the Group's portfolio of property leases. They were initially recognised on 1 January 2019, upon adoption of IFRS 16 Leases.

Included within Miscellaneous is £86.7 million (2020: £72.5 million) relating to the monthly Partner payment paid in arrears.

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

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 10 Other receivables.

Senior unsecured corporate borrowings

	31 December 2021	31 December 2020
	£'Million	£'Million
Corporate borrowings: bank loans	**106.8**	112.7
Corporate borrowings: loan notes	**163.8**	113.8
Senior unsecured corporate borrowings	**270.6**	226.5

The primary senior unsecured corporate borrowings are:

- a £340 million revolving credit facility which is repayable at maturity in the second half of 2023 with a variable interest rate. At 31 December 2021 the undrawn credit available under this facility was £233 million (2020: £230 million);
- a Note Purchase Agreement for £64 million. The notes are repayable in instalments over ten years, ending in 2027, with variable interest rates; and
- a Note Purchase Agreement for £100 million. The notes are repayable in one amount in 2031, with variable interest rates.

The Group has a number of covenants within the terms of its senior unsecured corporate borrowing facilities. These covenants are monitored on a regular basis and reported to lenders on a bi-annual basis. During the course of the year all covenants were complied with and the Group did not require waivers or alteration of covenant terms as a result of the economic conditions arising from the COVID-19 pandemic.

As at the 31 December 2021 and 31 December 2020 the Group had sufficient headroom available under its covenants to fully draw the remaining commitment under its senior unsecured corporate borrowing facilities. As a result of the Group's business model and cash-flow profile, no additional borrowing facilities were required due to the economic conditions arising from the pandemic.

Total borrowings

	31 December 2021	31 December 2020
	£'Million	£'Million
Senior unsecured corporate borrowings	**270.6**	226.5
Senior tranche of non-recourse securitisation loan notes	**162.4**	115.3
Total borrowings	**433.0**	341.8
Current	**-**	11.0
Non-current	**433.0**	330.8
	433.0	341.8

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. They are held by third-party investors and are secured on a legally segregated portfolio of £214.0 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 10 Other receivables. Holders of the securitisation loan notes have no recourse to the assets held by any other entity within the Group.

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.

	31 December 2021	31 December 2020
	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	**61.2**	48.1
Senior tranche of non-recourse securitisation loan notes	**162.4**	115.3
Total non-recourse securitisation loan notes	**223.6**	163.4
Backed by:		
Securitised business loans to Partners (see Note 10)	**214.0**	157.1
Other net assets of SJP Partner Loans No.1 Limited	**9.6**	6.3
Total net assets held by SJP Partner Loans No.1 Limited	**223.6**	163.4

Movement in borrowings

Borrowings are liabilities arising from financing activities. The cash and non-cash movements in borrowings over the year are set out below, with the cash movements also set out in the Consolidated Statement of Cash Flows on page 44.

	Senior unsecured corporate borrowings	**Senior tranche of securitisation loan notes**	**Total borrowings**	Senior unsecured corporate borrowings	Senior tranche of securitisation loan notes	Total borrowings
	2021	**2021**	**2021**	2020	2020	2020
	£'Million	**£'Million**	**£'Million**	£'Million	£'Million	£'Million
Borrowings at 1 January	**226.5**	**115.3**	**341.8**	287.1	116.6	403.7
Additional borrowing during the year	**487.0**	**89.4**	**576.4**	270.0	-	270.0
Repayment of borrowings during the year	**(443.4)**	**(42.7)**	**(486.1)**	(331.1)	(1.0)	(332.1)
Costs on additional borrowings during the year	**(0.1)**	**(0.1)**	**(0.2)**	-	(0.8)	(0.8)
Unwind of borrowing costs (non-cash movement)	**0.6**	**0.5**	**1.1**	0.5	0.5	1.0
Borrowings at 31 December	**270.6**	**162.4**	**433.0**	226.5	115.3	341.8

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

Financial commitments

Guarantees

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**	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	£'Million	£'Million	**£'Million**	£'Million
Bank of Scotland	**51.9**	63.3	**70.0**	70.0
Clydesdale Bank	**–**	-	**-**	25.0
Investec	**33.1**	25.9	**50.0**	50.0
Metro Bank	**37.0**	39.8	**61.0**	61.0
NatWest	**28.8**	22.1	**50.0**	50.0
Santander	**119.9**	49.6	**169.9**	50.0
Total loans	**270.7**	200.7	**400.9**	306.0

The fair value of these guarantees has been assessed as £nil (2020: £nil).

13. Cash generated from operations

	Note	**Year ended 31 December 2021 £'Million**	Year ended 31 December 2020 £'Million
Cash flows from operating activities			
Profit before tax for the year		**842.4**	426.4
Adjustments for:			
Amortisation of purchased value of in-force business	7	**3.2**	3.2
Amortisation of computer software	7	**10.6**	4.2
Change in capitalisation policy	7	**5.1**	-
Depreciation	8	**22.1**	24.1
Impairment of goodwill	7	**1.5**	-
Loss on disposal of property and equipment, including leased assets	8	**2.7**	1.9
Share-based payment charge		**22.9**	10.6
Interest income		**(19.2)**	(33.1)
Interest expense		**10.2**	11.6
Increase/(decrease) in provisions		**9.8**	(6.3)
Exchange rate losses		**0.1**	-
Changes in operating assets and liabilities			
Decrease in deferred acquisition costs	7	**44.9**	65.5
(Increase)/decrease in investment property		**(41.8)**	224.2
Increase in other investments		**(24,358.4)**	(12,858.5)
Increase in investment in associates		**(1.4)**	-
Decrease/(increase) in reinsurance assets		**9.9**	(3.7)
Increase in other receivables		**(326.9)**	(443.0)
Increase in insurance contract liabilities		**9.7**	6.0
Increase in financial liabilities (excluding borrowings)		**17,486.7**	9,375.3
Decrease in deferred income	7	**(17.3)**	(34.8)
Increase in other payables		**574.3**	239.8
Increase in net assets attributable to unit holders		**7,449.9**	3,089.1
Cash generated from operations		**1,741.0**	102.5

14. Capital management and allocation

The Group's capital management policy, set by the Board, is to maintain a strong capital base in order to:

- protect clients' interests;
- meet regulatory requirements;
- protect creditors' interests; and
- create shareholder value through support for business development.

The policy requires that each subsidiary manages its own capital, in particular to maintain regulatory solvency, in the context of a Group capital plan. Any capital in excess of planned requirements is returned to the Group's Parent Company, St. James's Place plc, normally by way of dividends. The Group capital position is monitored by the Audit Committee on behalf of the St. James's Place plc Board.

Regulatory capital

The Group's capital management policy is, for each subsidiary, to hold the higher of:

- the capital required by any relevant supervisory body, uplifted by a specified margin to absorb changes; or
- the capital required based on the Company's internal assessment.

For our insurance companies, we hold capital based on our own internal assessment, recognising the regulatory requirement. For other regulated companies we generally hold capital based on the regulatory requirement uplifted by a specified margin.

The following entities are subject to regulatory supervision and have to maintain a minimum level of regulatory capital:

Entity	Regulatory body and jurisdiction
Capstone Financial (HK) Limited	Securities and Futures Commission (Hong Kong) A Member of the Hong Kong Confederation of Insurance Brokers
Perennial Financial Management Limited	FCA: Personal Investment Firm
Policy Services Limited	FCA: Personal Investment Firm
Rowan Dartington & Co Limited	FCA: Investment Firm
St. James's Place (Hong Kong) Limited	Securities and Futures Commission (Hong Kong): A Member of The Hong Kong Confederation of Insurance Brokers
St. James's Place International (Hong Kong) Limited	Insurance Authority (Hong Kong)
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Investment Administration Limited	FCA: Investment Firm
St. James's Place Partnership Services Limited	FCA: Consumer Credit Firm
St. James's Place (Singapore) Private Limited	Monetary Authority of Singapore: Member of the Association of Financial Advisers
St. James's Place UK plc	PRA and FCA: Long-term insurance business
St. James's Place Unit Trust Group Limited	FCA: UCITS Management Company
St. James's Place Wealth Management plc	FCA: Personal Investment Firm

In addition, the St. James's Place Group is regulated as an insurance group under Solvency II, with the PRA as the lead regulator. More information about the capital position of the Group under Solvency II regulations is set out in the separate Solvency and Financial Condition Report document. The overall capital position for the Group at 31 December 2021, assessed on the standard formula basis, is presented in the following table:

	31 December 2021	31 December 2020
	£'Million	£'Million
IFRS total assets	**155,729.9**	129,897.0
Less Solvency II valuation adjustments and unit-linked liabilities	**(154,484.6)**	(128,678.4)
Solvency II net assets	**1,245.3**	1,218.6
Solvency II VIF	**5,640.1**	4,756.3
Risk margin	**(1,622.9)**	(1,357.5)
Own funds (A)	**5,262.5**	4,617.4
Standard formula SCR (B)	**3,939.1**	3,506.6
Solvency II free assets (A-B)	**1,323.4**	1,110.8
Solvency II ratio (A/B)	**134%**	132%

	31 December 2021	31 December 2020
	£'Million	£'Million
Solvency II net assets	**1,245.3**	1,218.6
Less: management solvency buffer (MSB)	**(518.0)**	(501.3)
Excess of free assets over MSB	**727.3**	717.3

An overall internal capital assessment is required for insurance groups. This is known as an ORSA (Own Risk and Solvency Assessment) and is described in more detail in the ORSA section of the Risk and Risk Management report; refer to pages 34 and 35.

The regulatory capital requirements of companies within the Group, and the associated solvency of the Group, are assessed and monitored by the Finance Oversight Group, a committee of the Executive Board, with oversight by the Audit Committee on behalf of the Group Board. Ultimate responsibility for individual companies' regulatory capital lies with the relevant subsidiary boards.

For the year ended 31 December 2021, we reviewed the level of our MSB and increased the MSB for the Life businesses to £355 million (31 December 2020: £345 million). There has been no other material change in the level of capital requirements of individual companies during the year, nor in the Group's management of capital. All regulated entities exceeded the minimum solvency requirements at the reporting date and during the year.

IFRS capital composition

The principal forms of capital are included in the following balances on the Consolidated Statement of Financial Position.

	31 December 2021	31 December 2020
	£'Million	£'Million
Share capital	**81.1**	80.6
Share premium	**213.8**	185.3
Shares in trust reserve	**(8.5)**	(14.8)
Miscellaneous reserves	**2.5**	2.5
Retained earnings	**830.3**	859.4
Shareholders' equity	**1,119.2**	1,113.0
Non-controlling interests	**-**	(0.9)
Total equity	**1,119.2**	1,112.1

The above assets do not all qualify as regulatory capital. The required minimum regulatory capital, and analysis of the assets that qualify as regulatory capital, are outlined in section 3 of the Financial Review on page 32, which demonstrates that the Group has met its internal capital objectives. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the year.

15. Share capital, earnings per share and dividends

Share capital

	Number of ordinary shares	Called-up share capital
		£'Million
At 1 January 2020	534,800,626	80.2
– Exercise of options	2,542,840	0.4
At 31 December 2020	**537,343,466**	**80.6**
– Issue of shares	**850,985**	**0.1**
– Exercise of options	**2,336,078**	**0.4**
At 31 December 2021	**540,530,529**	**81.1**

Ordinary shares have a par value of 15 pence per share (2020: 15 pence per share) and are fully paid.

Included in the issued share capital are 1,685,250 (2020: 2,913,822) shares held in the Shares in trust reserve with a nominal value of £0.3 million (2020: £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 285,033 shares at 31 December 2021 and 663,769 shares at 31 December 2020. No dividends have been waived on shares held in the St. James's Place 2010 SIP Trust in 2021 or 2020.

Share capital increases are included within the 'exercise of options' line of the table above where they relate to the Group's share-based payment schemes. Other share capital increases are included within the 'issue of shares' line.

Earnings per share

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Earnings		
Profit after tax attributable to equity shareholders (for both basic and diluted EPS)	**286.7**	262.0
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	**537.7**	533.5
Adjustments for outstanding share options	**8.5**	5.8
Weighted average number of ordinary shares (for diluted EPS)	**546.2**	539.3
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	**53.3**	49.1
Diluted earnings per share	**52.5**	48.6

Dividends

The following dividends have been paid by the Group:

	Year ended 31 December 2021	Year ended 31 December 2020	**Year ended 31 December 2021**	Year ended 31 December 2020
	Pence per share	Pence per share	**£'Million**	£'Million
Second interim dividend in respect of 2019	–	20.00	–	107.1
Withheld 2019 dividend	**11.22**	–	**60.3**	–
Final dividend in respect of 2020	**38.49**	–	**207.2**	–
Interim dividend in respect of 2021	**11.55**	–	**62.4**	–
Total dividends	**61.26**	20.00	**329.9**	107.1

In respect of 2021 the Directors have recommended a 2021 final dividend of 40.41 pence per share. This amounts to £218.4 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 27 May 2022 to those shareholders on the register as at 29 April 2022.

16. Related party transactions

Transactions with St. James's Place unit trusts

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there were gains recognised of £11.0 million (2020: losses of £18.2 million) and the total value of transactions with those non-consolidated unit trusts was £14.1 million (2020: £35.1 million). Net management fees receivable from these unit trusts amounted to £1.8 million (2020: £8.0 million). The value of the investment into the non-consolidated unit trusts at 31 December 2021 was £nil (2020: £101.1 million).

Transactions with key management personnel

Key management personnel have been defined as the Board of Directors and members of the Executive Board. The remuneration paid to the Board of Directors of St. James's Place plc is set out in the Directors' Remuneration Report in our Annual Report and Accounts.

The Directors' Remuneration Report also sets out transactions with the Directors under the Group's share-based payment schemes, together with details of the Directors' interests in the share capital of the Company.

The total value of Group FUM held by related parties of the Group as at 31 December 2021 was £35.3 million (2020: £31.9 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £0.9 million (2020: £0.4 million).

17. Non-statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the registrar of companies, and those for 2021 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

18. Annual Report

The Company's Annual Report and Accounts for the year ended 31 December 2021 is expected to be posted to shareholders by 7 April 2022. Copies of both this announcement and the Annual Report and Accounts will be available to the public through the Company's website at www.sjp.co.uk.

Glossary of Alternative Performance Measures

Within the Annual Report and Accounts various alternative performance measures (APMs) are disclosed.

An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards as adopted by the UK (adopted IFRSs). 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, details 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 24.
Total embedded value	A discounted cash flow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II.	Life business and wealth management business differ from most other businesses, in that the expected shareholder income from the sale of a product emerges over a long period in the future. We therefore 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.
EEV net asset value (NAV) per share	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.
IFRS NAV per share	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
Cash result, and Underlying cash result [1]	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted as follows: 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 Underlying cash result reflects the regular emergence of cash from the business along with the impact of the strategic investments we are making. The Cash result reflects all other cash items, including those whose emergence is volatile, varying over time and often influenced by markets, together with the short-term costs associated with the back-office infrastructure project. Neither the Cash result nor the Underlying cash result should be confused with the IFRS Consolidated Statement of Cash Flows which is prepared in accordance with IAS 7.	IFRS income statement methodology recognises non-cash items such as deferred tax and 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 cash result is particularly useful for monitoring the expected long-term rate of cash emergence, which supports dividends and sustainable dividend growth.	Refer to pages 19, 20 and also see Note 3 to the 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 cash flows in the year. However our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology.	See Note 3 to the Consolidated Financial Statements.
EEV operating profit	A discounted cash flow valuation methodology, assessing the long-term economic value of the business. Our embedded value is determined in line with the EEV principles, originally set out by the Chief Financial Officers (CFO) Forum in 2004, and amended for subsequent changes to the principles, including those published in April 2016, following the implementation of Solvency II. The EEV operating profit reflects the total EEV result with an adjustment to strip out the impact of stock market and other economic effects during the year. Within EEV operating profit is new business contribution, which is the change in embedded value arising from writing new business during the year.	Both the IFRS and Cash results reflect only the cash flows in the year. However, our business is long-term, and activity in the year can generate business with a long-term value. We therefore believe it is helpful to understand the full economic impact of activity in the year, which is the aim of the EEV methodology. Within the EEV, many of the future cash flows derive from fund charges, which change with movements in stock markets. Since the impact of these changes is typically unrelated to the performance of the business, we believe that the EEV operating profit (reflecting the EEV profit, adjusted to reflect only the expected investment performance and no change in economic basis) provides the most useful measure of embedded value performance in the year.	See Note 3 to the Consolidated Financial Statements.
EEV operating profit basic and diluted earnings per share (EPS)	These EPS measures are calculated as EEV operating profit after tax divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As EEV operating profit is the best reflection of the EEV generated by the business, EEV operating profit EPS measures allow analysis of the long-term value generated by the business by share.	Not applicable.
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.	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	Disclosed as separate line items in the Statement of Comprehensive Income on page 41.

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
	This calculation method is consistent with the legislation relating to the calculation of the tax on shareholders' profits.	with the tax liability, to mitigate the impact on the corporate. As a result, when policyholder tax increases, the charges also increase. Since 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.	
Profit before shareholder tax	A profit measure which reflects the IFRS result adjusted for policyholder tax, but before deduction of shareholder tax. Within the Consolidated Statement of Comprehensive Income the full title of this measure is 'Profit before tax attributable to shareholders' returns'.	The IFRS methodology requires that the tax recognised in the Financial Statements should include the tax incurred on behalf of policyholders in our UK life assurance company. Since the policyholder tax charge is unrelated to the performance of the business, we believe it is also useful to separately identify the profit before shareholder tax, which reflects the IFRS profit before tax, adjusted only for tax paid on behalf of policyholders.	Disclosed as a separate line item in the Statement of Comprehensive Income on page 41.
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 17.
Controllable expenses	The total of expenses which reflects Establishment, Development (both Operational and Strategic), and Academy.	We are focused on containing long-term growth in controllable expenses to 5% p.a.	Full detail of the breakdown of expenses is provided on pages 21, 22 and 23.

1) As we explained in the Half Year Report & Accounts 2021, for the year ended 31 December 2021 we have re-shaped our presentation of the Cash result to aid shareholders. This adapts our reporting to our guidance on expense growth, which has a new focus on controllable expenses. As a result, controllable expenses are a new alternative performance measure (APM), and the Operating cash result, an APM in previous years, has been removed. The Operating cash result no longer provides relevant information as it includes some, but not all, controllable expenses.

Responsibility Statement of the Directors in respect of the Annual Financial Report

The Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation as a whole; and
- Pursuant to Disclosure and Transparency Rules Chapter 4, the Directors' Report and Strategic Report of the Company's Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

On behalf of the Board

Andrew Croft **Chief Executive**	**Craig Gentle** **Chief Financial Officer**

23 February 2022

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.

Supplementary Information: Consolidated Financial Statements on a Cash Result Basis (unaudited)

Consolidated Statement of Comprehensive Income on a Cash Result Basis (unaudited)

	Note	**Year ended 31 December 2021 £'Million**	Year ended 31 December 2020 £'Million
Fee and commission income		**2,771.4**	2,011.3
Investment return	5	**35.9**	13.5
Net income		**2,807.3**	2,024.8
Expenses		**(1,858.1)**	(1,601.3)
Profit before tax		**949.2**	423.5
Tax attributable to policyholders' returns		**(488.6)**	(98.8)
Tax attributable to shareholders' returns		**(73.2)**	(70.0)
Total Cash result for the year		**387.4**	254.7

		Pence	Pence
Cash result basic earnings per share	III	**72.0**	47.7
Cash result diluted earnings per share	III	**70.9**	47.2

The Note references above cross-refer to the Notes to the Consolidated Financial Statements under IFRS on pages 45 to 71, except where denoted in roman numerals.

Consolidated Statement of Changes in Equity on a Cash Result Basis (unaudited)

		Equity attributable to owners of the Parent Company							
		Share capital	Share premium	Shares in trust reserve	Misc. reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 1 January 2020		80.2	182.4	(16.4)	2.5	809.0	1,057.7	(0.9)	1,056.8
Cash result for the year		–	–	–	–	254.7	254.7	–	254.7
Dividends	15	–	–	–	–	(107.1)	(107.1)	–	(107.1)
Exercise of options	15	0.4	2.9	–	–	–	3.3	–	3.3
Consideration paid for own shares		–	–	(3.9)	–	–	(3.9)	–	(3.9)
Shares sold during the year		–	–	5.5	–	(5.5)	–	–	–
Change in deferred tax		–	–	–	–	(8.2)	(8.2)	–	(8.2)
Impact of policyholder tax asymmetry		–	–	–	–	61.7	61.7	–	61.7
Change in goodwill, intangibles and other non-cash movements		–	–	–	–	(38.7)	(38.7)	–	(38.7)
At 31 December 2020		**80.6**	**185.3**	**(14.8)**	**2.5**	**965.9**	**1,219.5**	**(0.9)**	**1,218.6**
Cash result for the year		**–**	**–**	**–**	**–**	**386.5**	**386.5**	**0.9**	**387.4**
Dividends	15	**–**	**–**	**–**	**–**	**(329.9)**	**(329.9)**	**–**	**(329.9)**
Issue of share capital		**0.1**	**10.2**				**10.3**		**10.3**
Exercise of options	15	**0.4**	**18.3**	**–**	**–**	**–**	**18.7**	**–**	**18.7**
Shares sold during the year		**–**	**–**	**6.3**	**–**	**(6.3)**	**–**	**–**	**–**
Change in deferred tax		**–**	**–**	**–**	**–**	**0.5**	**0.5**	**–**	**0.5**
Impact of policyholder tax asymmetry		**–**	**–**	**–**	**–**	**(52.9)**	**(52.9)**	**–**	**(52.9)**
Change in goodwill, intangibles and other non-cash movements		**–**	**–**	**–**	**–**	**(7.4)**	**(7.4)**	**–**	**(7.4)**
At 31 December 2021		**81.1**	**213.8**	**(8.5)**	**2.5**	**956.4**	**1,245.3**	**–**	**1,245.3**

The Note references above cross-refer to the Notes to the Consolidated Financial Statements under IFRS on pages 45 to 71, except where denoted in roman numerals.

Consolidated Statement of Financial Position on a Cash Result Basis (unaudited)

	Note	**31 December 2021**	31 December 2020
	Note	**£'Million**	£'Million
Assets			
Property and equipment	8	**154.5**	174.4
Deferred tax assets		**5.0**	0.7
Investment in associates		**1.4**	-
Other receivables		**1,587.6**	1,546.2
Fixed income securities		**7.8**	7.4
Investment in Collective Investment Schemes		**1,605.3**	1,264.8
Cash and cash equivalents		**245.7**	254.9
Total assets		**3,607.3**	3,248.4
Liabilities			
Borrowings	12	**433.0**	341.8
Deferred tax liabilities		**624.4**	378.0
Other provisions		**44.1**	34.3
Other payables		**1,254.4**	1,242.9
Income tax liabilities		**6.1**	32.7
Preference shares		**-**	0.1
Total liabilities		**2,362.0**	2,029.8
Net assets		**1,245.3**	1,218.6
Shareholders' equity			
Share capital	15	**81.1**	80.6
Share premium		**213.8**	185.3
Shares in trust reserve		**(8.5)**	(14.8)
Miscellaneous reserves		**2.5**	2.5
Retained earnings		**956.4**	965.9
Shareholders' equity		**1,245.3**	1,219.5
Non-controlling interests		**-**	(0.9)
Total shareholders' equity on a Cash Result Basis		**1,245.3**	1,218.6

	Pence	Pence
Net assets per share	**230.4**	226.8

The Note references above cross-refer to the Notes to the Consolidated Financial Statements under IFRS on pages 45 to 71, 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 adopted by the UK 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 9 to the Consolidated Financial Statements, are policyholder balances which are removed in the Statement of Financial Position on a Cash Result Basis. No adjustment for payments in or out is required in the Statement of Comprehensive Income as this business is subject to deposit accounting, which means that policyholder deposits and withdrawals are recognised in the Statement of Financial Position under IFRS, with only marginal cash flows attributable to shareholders recognised in the Statement of Comprehensive Income. However, adjustment is required for the investment return and the movement in investment contract liabilities, which are offsetting and are both zero-ised.
2. Deferred acquisition costs, the purchased value of in-force business and deferred income assets and liabilities are removed from the Statement of Financial Position on a Cash Result Basis, and the amortisation of these balances is removed from the Statement of Comprehensive Income on a Cash Result Basis. The assets, liabilities and amortisation are set out in Note 7 to the Consolidated Financial Statements.
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 from 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 movements 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.

II. Reconciliation of the IFRS Balance Sheet to the Cash Balance Sheet

The Solvency II Net Assets (or Cash) balance sheet is based on the IFRS Consolidated Statement of Financial Position (on page 43), 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 31 December 2021 is set out on page 24. The reconciliation as at 31 December 2020 is set out below.

31 December 2020	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million
Assets				
Goodwill	31.0	–	(31.0)	–
Deferred acquisition costs	424.5	–	(424.5)	–
Purchased value of in-force business	17.6	–	(17.6)	–
Computer software	23.5	–	(23.5)	–
Property and equipment	174.4	–	–	174.4
Deferred tax assets	14.4	–	(13.7)	0.7
Reinsurance assets	92.3	–	(92.3)	–
Other receivables	2,579.2	(1,030.2)	(2.8)	1,546.2
Investment property	1,526.7	(1,526.7)	–	–
Equities	83,359.2	(83,359.2)	–	–
Fixed income securities	27,701.4	(27,694.0)	–	7.4
Investment in Collective Investment Schemes	5,890.2	(4,625.4)	–	1,264.8
Derivative financial instruments	1,386.8	(1,386.8)	–	–
Cash and cash equivalents	6,660.1	(6,405.2)	–	254.9
Total assets	129,881.3	(126,027.5)	(605.4)	3,248.4
Liabilities				
Borrowings	341.8	–	–	341.8
Deferred tax liabilities	378.1	–	(0.1)	378.0
Insurance contract liabilities	562.6	(466.1)	(96.5)	–
Deferred income	579.9	–	(579.9)	–
Other provisions	34.3	–	–	34.3
Other payables	2,038.0	(759.7)	(35.4)	1,242.9
Investment contract benefits	93,132.7	(93,132.7)	–	–
Derivative financial instruments	749.9	(749.9)	–	–
Net asset value attributable to unit holders	30,919.1	(30,919.1)	–	–
Income tax liabilities	32.7	–	–	32.7
Preference shares	0.1	–	–	0.1
Total liabilities	128,769.2	(126,027.5)	(711.9)	2,029.8
Net assets	1,112.1	–	106.5	1,218.6

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

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

III. Earnings per share

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Earnings		
Cash result (for both basic and diluted EPS)	**387.4**	254.7
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	**537.7**	533.5
Adjustments for outstanding share options	**8.5**	5.8
Weighted average number of ordinary shares (for diluted EPS)	**546.2**	539.3
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	**72.0**	47.7
Diluted earnings per share	**70.9**	47.2