

Glossary of Terms

Adviser or financial adviser

An individual who is authorised by an appropriate regulatory authority to provide financial advice. In the UK our advisers are authorised by the FCA.

Cash result

An alternative performance measure which is used by the Board to assess and monitor the regular emergence of cash from the business. It is based on the IFRS Consolidated Statement of Comprehensive Income with adjustments made to exclude policyholder balances and certain non-cash items, such as DAC, DIR, deferred tax and equity-settled share-based payment costs.

Company

The Company refers to St. James's Place plc, which is also referred to as 'St. James's Place' and 'SJP'.

Controllable expenses

The total of expenses which reflects establishment, development, and our Academy. Around half of these expenses relate to people.

Deferred acquisition costs (DAC)

An intangible asset required to be established through the application of IFRS to our long-term business. The value of the asset is equal to the amount of all costs which accrue in line with new business volumes. The asset is amortised over the expected lifetime of the business.

Deferred income (DIR)

Deferred income, which arises from the requirement in IFRS that initial charges on long-term financial instruments should only be recognised over the lifetime of the business. The initial amount of the balance is equal to the charge taken.

Discretionary Fund Management (DFM)

A generic term for a form of investment management in which buy and sell decisions are made (or assisted) by a portfolio manager for a client's account. Within St. James's Place, the services provided by Rowan Dartington (including investment management, advisory stockbroking and wealth planning) are collectively referred to as Discretionary Fund Management, distinguishing them from the services provided by our Partners and from our Investment Management Approach (IMA).

Financial Conduct Authority (FCA)

The FCA is a company limited by guarantee and is independent of the Bank of England. It is a UK government regulator and is responsible for the conduct of business regulation of all firms (including those firms subject to prudential regulation by the Prudential Regulation Authority (PRA)) and the prudential regulation of all firms not regulated by the PRA.

Funds under management (FUM)

Represents all assets actively managed or administered by or on behalf of the Group, including all life insurance and unit trust assets, but not assets managed by third parties where we have only introduced or advised on the business. Assets managed by Rowan Dartington count as FUM from the date of acquisition.

Gestation FUM

This represents FUM on which no annual product management charges are taken. Most of our investment and pension business enters a six-year gestation period following initial investment. FUM which is not gestation FUM is known as mature FUM, which is defined later in this section.

Gross inflows

Total new client investments made into SJP products during the period. Gross inflows add to our stock of funds under management.

Group

The Group refers to the Company together with its subsidiaries.

International Financial Reporting Standards (IFRS)

These are accounting regulations issued by the International Accounting Standards Board (IASB) designed to ensure comparable preparation and disclosure of statements of financial position. The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK (adopted IFRSs).

Investment business

This refers to onshore and offshore investment bond business written by the life insurance entities in the Group.

Investment Management Approach (IMA)

The IMA is how St. James's Place manages clients' investments. It is managed by the St. James's Place Investment Committee, which in turn is supported by respected independent investment research consultancies, including Redington and Rocaton. The Investment Committee is responsible for identifying fund managers for our funds, selecting from fund management firms all around the world. It is also responsible for monitoring the performance of our fund managers, and, if circumstances should change and it should become necessary, for changing the fund manager as well.

Mature FUM

This represents FUM on which annual product management charges are taken. ISA and unit trust business flows into mature FUM from initial investment, but most of our investment and pension business only becomes mature FUM after the six-year gestation period, during which time it is known as gestation FUM.

Glossary of Terms continued

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 expenses relating to new business.

Mass affluent

The mass affluent market is defined as individuals with between £50,000 to £5 million of investable assets. This is our core target market, but we also look after clients either side of this space.

Net inflows

Net inflows are gross inflows less the amount of FUM withdrawn by clients during the same period. The net inflows are the growth in FUM not attributable to investment return.

Policyholder and shareholder tax

The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. This part of the overall tax charge, which is attributable to policyholders, is called policyholder tax. The rest of the Company's tax liability is attributable to shareholders, so is known as shareholder tax.

Product wrappers

Product wrappers are designed to maximise the potential of clients' investments. Each product wrapper has different tax benefits. Our main product wrappers are investment bonds, pensions and ISAs.

Prudential Regulation Authority (PRA)

The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit-taking institutions, insurers and major investment firms.

Responsible investment (RI)

Principles and practices that consider broader sustainability themes and specific environmental, social and governance factors within the investment process.

Retention rate of client investments

This is calculated as annualised surrenders and part surrenders divided by average funds under management in the period. It excludes regular income withdrawals and maturities.

Solvency II

Insurance regulations designed to harmonise EU insurance regulation which became effective on 1 January 2016. The key concerns of the regulation are to ensure robust risk management in insurance companies and to use that understanding of risk to help determine the right amount of capital for UK and European insurance companies to hold to ensure their ongoing viability in all but the most severe stressed scenarios. Following the UK's withdrawal from the EU these regulations have been adopted by the UK.

Solvency II Net Assets Balance Sheet

An alternative performance measure which is based on the IFRS Consolidated Statement of Financial Position with adjustments made to exclude matching policyholder assets and liabilities, and to reflect the recognition requirements of the Solvency II regulations.

St. James's Place Partner

A member of the St. James's Place Partnership. Specifically, the individual or business that is registered, on the relevant regulatory register, as an Appointed Representative of St. James's Place Wealth Management plc, St. James's Place (Hong Kong) Limited, St. James's Place Wealth Management (Shanghai) Limited or St. James's Place (Singapore) Private Limited.

St. James's Place Partnership

The collective name for all of our advisers, who are appointed representatives of St. James's Place.

Underlying cash result

An alternative performance measure which is used by the Board to assess and monitor the regular emergence of cash from the business. It is based on the IFRS Consolidated Statement of Comprehensive Income with adjustments made to exclude policyholder balances and certain non-cash items, such as DAC, DIR, deferred tax and equity-settled share-based payment costs. It differs from the Cash result as it excludes any items of a one-off nature and temporary timing differences.

Vertically integrated

When we describe St. James's Place as being vertically integrated, we are referring to the fact that its distribution capability (the Partnership) and the manufacturers of its investment products are both part of the Group.