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PRESS RELEASE

28 February 2023

ST. JAMES'S PLACE ANNOUNCES RECORD FINANCIAL RESULTS FOR 2022

St. James's Place plc (SJP) today issues its results for the year ended 31 December 2022:

Financial Highlights

- Underlying cash result £410.1 million (2021: £401.2 million)
- Underlying cash basic earnings per share of 75.6 pence (2021: 74.6 pence)
- EEV operating profit £1,589.7 million (2021: £1,545.4 million)
- EEV net asset value per share £16.66 (2021: £16.57)
- IFRS profit before shareholder tax £501.8 million (2021: £353.8 million)
- IFRS profit after tax £405.4 million (2021: £287.6 million)

Dividend

- Proposed full year dividend of 52.78 pence per share (2021: 51.96), in line with our 70% target pay-out ratio

Other Highlights

- Gross inflows of £17.0 billion (2021: £18.2 billion)
- Exceptional retention of client investments
- Net inflow of funds under management of £9.8 billion (2021: £11.0 billion)
- Funds under management of £148.4 billion (2021: £154.0 billion)
- Represented by 4,693 qualified advisers across the Partnership

Andrew Croft, Chief Executive Officer, commented:
"After a year when the external environment proved favourable to many businesses in our industry, 2022 presented a more challenging backdrop as UK consumers faced the reality of sharply rising inflation, macroeconomic and geopolitical uncertainty, and investment market volatility. Despite this, we achieved the second-best year for new business flows in our history as our advisers performed admirably in helping clients feel confident in their finances and remain on track for the future. While investment markets recorded negative returns over the year, the strength of our net inflows means that funds under management closed the period at £148.4 billion.

We continued to manage our controllable cost base well, containing growth to 5% as planned, and this supported the delivery of a record Underlying cash result of £410.1 million. Reflecting our policy of paying out around 70% of the Underlying cash result, the Board therefore proposes a final dividend of 37.19 pence per share, making for a full year dividend of 52.78 pence per share, up c.2%.

It remains clear to us that the demand for trusted, face-to-face advice is only getting stronger, so with a growing Partnership and a business in great shape, we continue to be well positioned to capitalise on our market opportunity and deliver against our 2025 ambitions.

2023 has continued in much the same way that 2022 ended, but we remain encouraged to see indicators that UK inflation may have peaked and that there are some signs of optimism for the direction of economies and investment markets worldwide. As we stated in our new business update in January, a sustained recovery in such indicators would naturally be conducive towards improving consumer sentiment, activity levels and of course funds under management, as 2023 unfolds."

The details of the announcement are attached.

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2022 Full Year Results Presentation

Date: 28 February 2023

Time: 08:30 GMT

Duration: 2 hours

If you have not registered to access SJP webcasts before, please complete the registration form in the link below and verify your email address in advance of the presentation. Registered viewers can access the webcast by entering your email address and clicking sign in, also using the link below.

Click here to register for and to access the webcast

Q&A session

The event will conclude with a live Q&A session starting at 9:30am GMT. The event platform will remain open to listen to the Q&A, but if you wish to ask questions during this session please dial-in to the conference call line from 9:00am GMT 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: 484247

*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 Tuesday 7 March 2023

UK: 020 3936 3001
USA: 1 845 709 8569
All other locations: +44 20 3936 3001

Access Code: 734971

Chair's Report

Supporting our clients

Overview

2022 was another extraordinary year, not least in the UK where global events contributed to rising rates of inflation that have exacerbated a cost-of-living crisis. Domestic political change has further unsettled the macroeconomic environment and it is against this backdrop that the Board has had to operate, ensuring we make careful decisions that take account of the long-term implications for our stakeholders. St. James's Place (SJP) exists to give people the confidence to create the futures they want, and during challenging times, the case for robust financial advice appears even clearer. As a Board, we believe the SJP Partnership provides the very best support for people looking to make the right decisions to safeguard the futures for them and their families. During 2022 I was delighted to spend considerable time with our advisers in the Partnership and it is clear to me that they are motivated and focused on delivering great outcomes for clients. Reflecting on 2022, the Board has been pleased to see further demonstration of the resilience of our business model, which emphasises the opportunity we have ahead of us as we continue to execute our strategy.

The Board

The shadow of COVID-19 was cast over much of 2021, but 2022 provided the opportunity for the Board to return to regular face-to-face interaction and allowed us to welcome back shareholders to meet with us at our Annual General Meeting in May. The pandemic demonstrated how adaptable boards and companies could be and, as a Board, we are now even more confident in our agility and resilience when unforeseen events arise.

The Board and Group Nomination and Governance Committee have both reported on the implementation of the Board's succession plans in recent years. In 2023 we will see Simon Jeffreys and Roger Yates retiring following the Annual General Meeting, having each served nine years on the Board. On behalf of the Board, I would like to take this opportunity to thank both Simon and Roger for their contribution to the Board and in particular their stewardship of the Group Audit and Remuneration Committees.

Succession planning is a key focus of the Group Nomination and Governance Committee, and its work over the last few years has enabled us to manage the departure of Executive and Non-executive Directors with orderly handovers being provided to their successors. In November we welcomed Dominic Burke to the Board as a Non-executive Director, and he will be taking on the role of Senior Independent Director following the Annual General Meeting. Dominic brings with him a deep knowledge of financial services and the experience of having founded and led large businesses in the sector. Dominic's appointment has resulted in the percentage of women on the Board falling to 30% temporarily, but the Board made the appointment fully aware that the proportion of women would be 37.5% when both Simon Jeffreys and Roger Yates step down after the AGM in May 2023.

The market

Despite the challenges I have referenced above, the Group continued to deliver resilient results in 2022. We also continued to demonstrate the discipline to manage our cost growth within plan, despite the macroeconomic headwinds. However, no business is immune to the impact of the rates of inflation seen in the UK in 2022 and the Board is mindful that while maintaining discipline on costs is critical, we must also remain focused on making decisions that drive further long-term success for our business.

Financial services regulation has never been more demanding of firms, something which should give consumers confidence that robust advice can help deliver the right outcomes for them. The introduction of the FCA's Consumer Duty is a case in point and is a step change in the way supervision will work in future, emphasising the importance of putting customer outcomes at the heart of decision-making. This is a key area of focus for the business and the Board in 2023. In such a demanding world SJP's advisers benefit from the backing of a FTSE 100 organisation that has invested in a wide range of support functions that enable them to focus on the most important thing: delivering excellent service to their clients, and so we welcome the reform.

The infrastructure to support the provision of advice in the current environment does not come without investment and we recognise that, across the market as a whole, the supply of advice falls short of the potential demand. We firmly believe in the value of advice and are strong advocates for regulated advice, which means we are keen to work with policymakers and other stakeholders to help ensure a broader segment of society has long-term financial security, even if they are never SJP clients.

The high inflation and intense cost-of-living pressures witnessed throughout 2022 have highlighted, more than ever, the need for greater financial resilience. The defined benefit pension scheme is a thing of the past for many and the shift increases the pressure on individuals and households to generate the savings they will need to see them through their retirement. Setting aside the money to save in the current environment is difficult for many; but the challenge of turning these savings into something that can sustain an ever-ageing population is perhaps even greater. There are now many more options available to investors, but research continues to tell us that people lack confidence when it comes to managing their own financial affairs. Whilst advice may not be the right answer for some, for many it will be and our continued growth, even in the most challenging economic circumstances, demonstrates that demand exists.

The Board's priorities and our strategy

Our key planning assumptions and strategy to 2025 were set out in 2021 and these remain broadly unchanged. Our ambition is still to grow new business by 10% per annum and contain growth in controllable expenses to 5% per annum, and we still intend to pay out around 70% of the Underlying cash result in dividends to shareholders. At our Board Strategy Day in June the Board took the opportunity to reaffirm its support for the existing strategy as well as turn an eye to the future beyond 2025, seeking insight from both inside and outside the business.

At the half-year we declared an interim dividend of 15.59 pence per share and the Board is pleased to be able to recommend to shareholders a final dividend for 2022 of 37.19 pence per share. This brings our full year dividend to 52.78 pence per share, equivalent to 70% of the Underlying cash result.

The Board's key focus areas for 2022 were as follows:

The Partnership - The health of the Partnership remains critical for this business as it is the engine that drives SJP forward. The importance of personal interaction with clients and with each other has been a theme throughout our history and in 2022 our advisers have continued to evolve their own propositions for clients by augmenting their in-person engagements with online meetings. We have also been able to hold a full programme of development conferences for our adviser community, allowing them to share experiences with each other, further their development and provide valuable feedback to senior management.

Administration - As previously reported, the Bluedoor migration has provided us with a platform for improving our administration and client services. Realising all of the benefits will take time as we optimise our newfound capabilities, but the Board has been delighted to see further progress in 2022 in the quality and robustness of administration. Where possible we are seeking to introduce straight-through processing which ensures our advisers can process client transactions in a timely and accurate manner.

Digital - 2022 saw the release of our first client app, enabling our clients to see personalised performance figures for their investments and reducing the need for paper documents. SJP clients who prefer paper correspondence and statements will still be able to have these, but the app represents a step towards greater digital capability for clients and advisers to support their face-to-face engagement. In 2022 we were also able to continue the development of and integration of Salesforce, with the benefits of the platform beginning to emerge for a number of stakeholders across the SJP community. The transition to a strong customer relationship management (CRM) system is a key component in enabling us to evidence how the new Consumer Duty is being met by SJP.

Investment performance - The turmoil in global markets during 2022, combined with fiscal measures in response to macroeconomic pressures, have inevitably impacted fund performance. While investment markets weighed on client investment returns in 2022, the Board has been pleased to see relative performance improving as the year progressed. Our third Value Assessment Statement (VAS), published in July 2022, built upon the previous two reports and was well received. It highlighted areas where we still need to focus, and the Board wants to continue to prioritise these in line with regulatory expectations and our desire to deliver good outcomes to clients.

Rowan Dartington and Asia - Despite the challenging external environment, Rowan Dartington has been able to deliver in line with its headline financial objectives. Asia also faced challenges in 2022 including the COVID-19 restrictions which remained in place in Hong Kong for much of the year. Whilst the restrictions and volatile markets have suppressed new business growth, the business has performed well.

Our culture and responsibilities

Our special culture is one of the main reasons SJP has been successful over the years, but over time we have had to work harder to make sure it transmits as effectively across much larger adviser and employee bases. It is the Board's role to monitor culture, but doing so is not straightforward. However, it is easy to recognise when culture is not as we would like so we are keen to make sure we put down some markers now to remind us what makes our culture good

and where we still aspire to be better. These markers provide reference points by which we can measure and monitor aspects of our culture, and give early warnings if any element of it may be straying outside our high standards. Throughout this report we reference our stakeholders, and the Board is delighted that we have such high levels of engagement. But what is most important is that we listen to our stakeholders and take account of their views in our decision-making. As is the case with many organisations, our stakeholders demand that we act responsibly, and we know that being a responsible business is no longer an option but a necessity. To continue to deliver unrivalled stakeholder value, and to enhance the transformational impact we can have, we have made a commitment to become a leading UK responsible business.

Being responsible is not only the right thing to do; there is a compelling case for it. This is why we put responsible and sustainable decision-making at the heart of everything we do. Last year we provided a fuller picture of what being a responsible business meant to us and I am pleased to report that we made further progress in 2022. Our Responsible Business Framework recognises that, to have the greatest impact, we should focus on areas that align most closely with our purpose, and where we are best positioned to move the dial. This is why we have identified four strategic priorities (financial wellbeing, investing responsibly, climate change and community impact) which are underpinned by nine strategic enablers. During 2022 the business developed, and the Board agreed, our responsible business narrative, goals and KPIs which will permeate throughout our business and provide the basis for the environmental, social and governance (ESG) targets we set management, including those forming part of their annual bonus objectives.

Concluding remarks

I would like to express my thanks to my Board colleagues for their support and hard work during the year and congratulate management, the employees and in particular our Partner businesses for what they have achieved in a challenging year. Whilst I have tried to give a flavour of the Board's activity in 2022, I would encourage you to read the Corporate Governance Report which covers this in more detail. 2021 was an exceptional year for SJP so to back it up with another good set of new business and financial results in 2022 further demonstrates that not only do we have the right strategy, but also a community capable of delivering future growth. I look forward to welcoming shareholders to this year's Annual General Meeting, which will be held on 18 May 2023.

Paul Manduca, Chair
27 February 2023

Chief Executive's Report

Another successful year

Introduction

2022 was yet another extraordinary year. The favourable external environment which emerged towards the end of 2021, with vaccination programmes in full swing and economies rebounding strongly, continued into the start of 2022. However macroeconomic and geopolitical conditions across the globe quickly deteriorated with high inflation, rising interest rates and the conflict in Ukraine creating a more difficult backdrop for many investment markets, companies and individuals worldwide. In the UK this was compounded by shifting political sands.

Despite this, we achieved the second-best year for new business flows in our history. This strong outcome once again demonstrates the strength and resilience of our advice-led business model, and the enduring commitment of all in the Partnership to supporting their clients.

Operating and financial performance

After a record outturn in 2021, during 2022 we made further good progress on our journey to achieving the objectives we have set out for 2025. We attracted £17.0 billion of gross inflows in 2022, and our advisers have worked hard to help clients understand the current environment and the importance of remaining focussed on their long-term financial goals despite short-term pressures. This has ensured retention rates for client investments have remained very high at 96.5%[1] contributing to net inflows of £9.8 billion. This is equivalent to 6.4% of opening funds under management.

The significant falls in investment markets resulted in funds under management ending the year at £148.4 billion, down 4% compared to the start of the year.

Despite the high inflation environment, we contained growth in controllable expenses to 5%, in line with our guidance. This is one of the drivers behind our strong financial outcome for the year, with the Underlying cash result of £410.1 million (2021: £401.2 million) and IFRS profit after tax of £405.4 million (2021: £287.6 million). For more information refer to the Chief Financial Officer's Report.

[1] Excluding regular income withdrawals and maturities

Dividend

We are committed to paying out around 70% of the Underlying cash result in dividends to shareholders. The 2% increase in the Underlying cash result therefore drives a proposed final dividend of 37.19 pence per share, making for a total dividend of 52.78 pence per share for the year, an increase of c.2% over the 2021 dividend.

Supporting clients

We aim to give clients the confidence to create the futures they want. In the short term some clients will have understandably been unsettled by the macroeconomic conditions that arose during the year, with inflation for example being higher than many will have seen in their adult lives. It is in these uncertain times that the trusted relationship clients have with their adviser really comes into its own. Advisers have been providing confidence to clients throughout the year by reassuring them, and ensuring they understand the environment and wherever possible do not disrupt their long-term financial plans.

I am thankful to our clients for entrusting their savings to us, and for endorsing our business through voting for us in various industry awards.

As we look ahead, a key area of focus for the business is on progressing our implementation plan for the FCA's Consumer Duty, which comes into effect at the end of July 2023. This is a significant step forward for our industry, raising the bar to ensure businesses deliver good outcomes for clients, so we welcome the reform.

Strategic progress

Our 2025 business plan is underpinned by four key financial objectives, and I am pleased with the progress we have made on our journey so far. During 2022 we:

- delivered £17.0 billion of gross inflows. Two years into our five-year plan our cumulative gross inflows are ahead of where we would have expected them to be at the outset. We aim to grow gross inflows by 10% per annum on a compound basis, but we were clear from the start that growth would not be linear;

- retained 96.5% of client investments[1], better than our 95% objective;
- contained controllable expense growth to 5% in line with our target, in spite of the high inflationary environment; and
- achieved funds under management of £148.4 billion. This is 4% down year on year due to market falls, but we remain well placed to deliver our £200 billion target by the end of 2025.

[1] Excluding regular income withdrawals and maturities

We remain committed to our 2025 ambitions and confident in our ability to deliver against these; however, inflationary pressures mean that controllable expense growth in 2023 will be around 8% on a pre-tax basis as we continue to focus on cost discipline while ensuring our business remains well invested for the future.

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

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 137 new advisers during the year, through a combination of recruitment of experienced financial advisers and 257 advisers completing our Academy programme.

With our focus on making SJP the best place to build a financial advice business, our proposition for advisers is stronger than ever. This, together with the growing scale of our Academy which now has more than 350 new advisers in training, means we've built a good pipeline for continued growth in the Partnership in the years ahead.

Our learning and development programmes for both the Partnership and employees continue to develop at pace. Technology has enabled us to create more user-friendly, on-demand content and to innovate using tools such as virtual reality to supplement more traditional learning practices. We are delighted that our progress in learning and development has been recognised by being short-listed for six industry awards; most notably the AIXR Global Virtual Reality Awards for Virtual Reality Education and Training of the Year.

We see real value in building relationships based on face-to-face and personal engagement, which was a challenge during the COVID-19 pandemic. In 2022 we focussed on reconnecting our communities through social engagement.

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. We made further progress on our technology journey in 2022.

We launched a new app for clients, which enables them to see the value of their investments in real time and offers easier access to information, documents and insights that are relevant to them. In due course we will launch additional functionality, for example enabling clients to engage with their adviser via the app.

Having rolled out Salesforce to the Partnership in 2021, during 2022 we launched complementary digital and social marketing tools for our advisers to use to better support their clients.

We have also been focussing on our service improvement programme, as we look to drive higher administration standards, accuracy and efficiency across our business.

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. The current high inflationary environment only accentuates the need to get this right.

We continually evolve our investment proposition to ensure we can support great client outcomes. Changes we have made in recent years have contributed to further improvement in this regard.

During 2022 we also launched our new range of unitised funds-of-funds (Polaris range) for clients in the accumulation stage of saving, complementing the unitised InRetirement decumulation funds launched in 2020. The Polaris range is simple for clients to understand and automatically rebalances funds, removing the need for periodic manual intervention.

In 2021 we committed to reducing the carbon footprint of client investments, with an interim target of a 25% reduction by 2025. We are delighted to have already exceeded this target. We will continue to work hard with our external fund managers to make further progress in the years ahead, underscoring our desire to create financial wellbeing in a world worth living in.

Building and protecting our brand and reputation

We continue to work hard to strengthen the perception of our business, so that when people think financial advice, they think SJP. In 2022 we began the roll-out of our refreshed brand identity for the Group, which we believe will help drive better awareness and trust, supporting our ambition to serve more clients in the future. It is important for us to complete the roll-out sustainably, without creating waste, and so we've taken steps such as running down stocks of existing stationery before moving to the new stock.

While we have further phases of the roll-out to implement, we're delighted with progress we've made so far and the positive feedback we've received from clients, advisers, and other interested stakeholders.

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 to learn 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. We have developed structures to achieve this, such as our Impact Awards ceremony for employees, which launched during the year.

Having developed our Responsible Business Framework in 2021, in 2022 we focussed on enhancing this through adding clear goals and metrics. Clearly articulating the outcomes we are striving to achieve will help us grow the positive impact we can have as a business, and our metrics will help us to measure our progress.

For us, being a responsible business 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 £10.5 million for the Charitable Foundation in 2022, inclusive of Company matching.

Continued financial strength

With new business and FUM remaining resilient against the backdrop of significant macroeconomic and geopolitical uncertainty during the year, and our disciplined approach to expenses, we have achieved a record Underlying cash result of £410.1 million for the year. I am also pleased that our businesses for the future, SJP Asia and Rowan Dartington, have been resilient and remain on track to break even in 2025 and 2024 respectively.

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

Summary and outlook

Despite the extraordinary circumstances we found ourselves in during 2022, I believe SJP had another successful year and I hope shareholders agree. This outcome could not have been achieved without the excellent work and contribution of the whole SJP community, both here in the UK and in our offices in Asia. 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.

It remains clear to us that the demand for trusted, face-to-face advice is only getting stronger, so with a growing Partnership and a business in great shape, we continue to be well positioned to capitalise on our market opportunity and deliver against our 2025 ambitions.

2023 has continued in much the same way that 2022 ended, but we remain encouraged to see indicators that UK inflation may have peaked and that there are some signs of optimism for the direction of economies and investment markets worldwide. As we stated in our new business update in January, a sustained recovery in such indicators would naturally be conducive towards improving consumer sentiment, activity levels and of course funds under management, as 2023 unfolds.

Andrew Croft, Chief Executive
27 February 2023

Chief Financial Officer's Report

Record financial results

2022 presented a challenging operating environment, as a variety of macroeconomic and geopolitical factors led to significant investment market falls and eroded consumer confidence.

Our business performed strongly against this backdrop, with our advisers attracting £17.0 billion (2021: £18.2 billion) of new client investments, our second-best year for new business flows in our history. With client retention rates remaining very high net inflows totalled £9.8 billion (2021: £11.0 billion), equivalent to 6.4% (2021: 8.5%) of opening funds under management (FUM).

Despite this new business performance, investment market falls resulted in FUM closing at £148.4 billion (31 December 2021: £154.0 billion).

In February 2021 we set out the planning assumptions that underpin our business plan through to 2025:

1. Long-term new business growth of 10% per annum;

2. Consistent retention of client investments above 95%;

3. Containing controllable expense growth to 5% per annum; and

4. £200 billion of FUM by 2025.

Our results for 2022 demonstrate further progress towards these goals; however, we recognised at the outset that our performance over this planning period would not be linear. 2021 was a very strong year across all metrics as investment markets and consumer confidence were buoyed by COVID-19 vaccination programmes, with the environment in 2022 being much more challenging.

Despite this, our financial performance across IFRS, the Cash result and European Embedded Value (EEV) has reflected growth in average FUM during the year and the resulting growth in income and strong cost control in line with guidance despite the high inflationary environment. This has led to record results across each of our key IFRS, Cash and EEV metrics.

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 42 of the Financial Review, but there follows here 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 £405.4 million in 2022 (2021: £287.6 million), up 41%. This reflects growth in average FUM and the impact of **policyholder tax asymmetry,** which benefits the IFRS result in periods of weaker markets. Further detail on this asymmetry is included in the Financial Review on page 22.

To address the challenge of policyholder tax being included in the IFRS results which distorts IFRS profit before tax, we focus on **IFRS profit before shareholder tax** as our pre-tax measure. On this basis the result was £501.8 million for the year (2021: £353.8 million), up 42% 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 acquisition costs, 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 £410.1 million for 2022 (2021: £387.4 million) and the **Underlying cash result**, also of £410.1 million for 2022 (2021: £401.2 million) are up 6% and 2% respectively. These record results have been driven by average mature FUM being higher during 2022 than it was in 2021, despite investment market falls during the year, delivery of controllable expenses in line with our guidance, and increased shareholder interest on our working capital due to Bank of England base rate rises. More detail is set out below and in the Financial Review on pages 16 to 42.

During the year, the **net income from funds under management** was £607.7 million (2021: £577.5 million), representing a margin within our range of 0.63% to 0.65% (2021: 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:

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.

As a result, growth in FUM is a strong positive indicator of future growth in profits, despite not all new business contributing to net income from funds under management for the first six years of its existence.

At 31 December 2022, the balance of gestation FUM stood at £45.5 billion (31 December 2021: £49.3 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 £383 million to annual net income from funds under management and hence to the Underlying cash result, at no additional cost.

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 decrease in margin arising from new business in 2022 largely reflects the decrease in gross flows over the period, although the relationship between the two is generally directionally consistent rather than linear as the margin includes some expenses which do not vary with gross inflows.

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 are a key metric for the business and we have delivered against the plan with these costs increasing by 5% in 2022 to £277.9 million after tax, despite rapidly rising inflation.

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Establishment expenses	**198.9**	200.3
Development expenses	**67.4**	54.0
Academy	**11.6**	10.3
Controllable expenses	**277.9**	264.6

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 £410.1 million (2021: £401.2 million).

There were no one-off items recognised during the year, resulting in the **Cash result** in 2022 also being £410.1 million (2021: £387.4 million).

EEV

The **EEV operating profit** is sensitive to interest rates changes, and so the increase in the opening risk discount rate year on year, combined with a larger in-force book at the start of 2022 compared to the start of 2021, is the main factor behind the increase in EEV operating profit to £1,589.7 million (2021: £1,545.4 million).

The **EEV profit before tax** for the period has been significantly impacted by the negative **investment return variance** of £1,314.0 million compared to the prior year (2021: positive £894.5 million). The negative return reflects decreased market values across our FUM compared to our expectation, as a result of investment market falls over the course of 2022.

The **EEV profit after tax** of £371.4 million (2021: £1,452.7 million) reflects profit emergence as above.

The **EEV net asset value per share** was £16.66 at 31 December 2022 (31 December 2021: £16.57).

Financial position

Our IFRS Statement of Financial Position, presented on page 54, 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 £1,532.9 million (2021: £1,858.8 million), of which £1,271.7 million (2021: £1,605.3 million) is invested in AAA-rated money market funds. This deep liquidity represents 50% of total assets on the Solvency II Net Assets balance sheet (2021: 52%). Further information about liquidity is set out on page 33.

Analysis of the key movements in the Solvency II Net Assets balance sheet during the year is set out on pages 30 to 33.

Solvency and capital

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 2022 we held surplus assets over the MSB of £847.2 million (2021: £727.3 million).

We also ensure that our approach meets the requirements of the Solvency II regime. Our UK life company, the largest insurance entity in the Group, targets capital equal to 110% of the standard formula requirement, as agreed with the Prudential Regulation Authority (PRA) since 2017. This is a prudent and sustainable policy given the risk profile of our business, which is largely operational.

At 31 December 2022, the solvency ratio for our Life businesses was 130%. Whilst this solvency ratio has strengthened significantly from 115% at 31 December 2021, the ratio at 31 December 2022 benefits from two temporary effects arising from the significant investment market falls during the period:

- a 8% positive impact from policyholder tax asymmetry, which benefits our own funds and hence solvency ratio in the same way as it benefits our IFRS result. For further details, refer to page 40; and
- a 2% positive effect of the equity dampener depressing the market risk capital component.

Excluding these temporary effects which will unwind as markets improve, the solvency ratio for our Life businesses was 120%, which is more closely aligned with prior periods.

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Underlying solvency ratio for our Life businesses	**120%**	115%
Impact of policyholder tax asymmetry	**8%**	7%
Effect of the equity dampener	**2%**	-7%
Solvency ratio for our Life businesses	**130%**	115%

Taking into account entities in the rest of the Group, the Group solvency ratio at 31 December 2022 was 155% (2021: 134%), with this result also reflecting the positive impact of policyholder tax asymmetry and equity dampener effects noted above.

Dividends

Our dividend guidance is to pay out around 70% of the Underlying cash result in dividends. The strong growth in our Underlying cash result for 2022 therefore drives a total dividend for 2022 of 52.78 pence per share, up c.2% on the total dividend for 2021, inclusive of a proposed final dividend for 2022 of 37.19 pence per share.

The proposed final dividend will be paid, subject to approval by shareholders at our AGM, on 31 May 2023 to shareholders on the register as at the close of business on 5 May 2023. A Dividend Reinvestment Plan continues to be available.

Craig Gentle, Chief Financial Officer
27 February 2023

Summary financial information

	Page reference	Year ended 31 December 2022	Year ended 31 December 2021
FUM-based metrics			
Gross inflows (£'Billion)	18	**17.0**	18.2
Net inflows (£'Billion)	18	**9.8**	11.0
Total FUM (£'Billion)	18	**148.4**	154.0
Total FUM in gestation (£'Billion)	19	**45.5**	49.3

IFRS-based metrics			
IFRS profit after tax (£'Million)	21	**405.4**	287.6
IFRS profit before shareholder tax (£'Million)	21	**501.8**	353.8
Underlying profit before shareholder tax (£'Million)	21	**514.8**	384.4
IFRS basic earnings per share (EPS) (Pence)		**74.6**	53.3
IFRS diluted EPS (Pence)		**73.9**	52.5
IFRS net asset value per share (Pence)		**231.6**	207.1
Dividend per share (Pence)		**52.78**	51.96
Cash result-based metrics			
Controllable expenses (£'Million)	26	**277.9**	264.6
Underlying cash result (£'Million)	25	**410.1**	401.2
Cash result (£'Million)	25	**410.1**	387.4
Underlying cash result basic EPS (Pence)		**75.6**	74.6
Underlying cash result diluted EPS (Pence)		**74.9**	73.5
EEV-based metrics			
EEV operating profit before tax (£'Million)	35	**1,589.7**	1,545.4
EEV operating profit after tax basic EPS (Pence)		**218.8**	219.9
EEV operating profit after tax diluted EPS (Pence)		**216.8**	216.5
EEV net asset value per share (£)		**16.66**	16.57
Solvency-based metrics			
Solvency II net assets (£'Million)	40	**1,379.9**	1,245.3
Management solvency buffer (£'Million)	40	**532.7**	518.0
Solvency II free assets (£'Million)	40	**1,921.4**	1,323.4
Solvency ratio (Percentage)	40	**155%**	134%

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 18 to 20.

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 21 to 39.

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 39 to 42.

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:

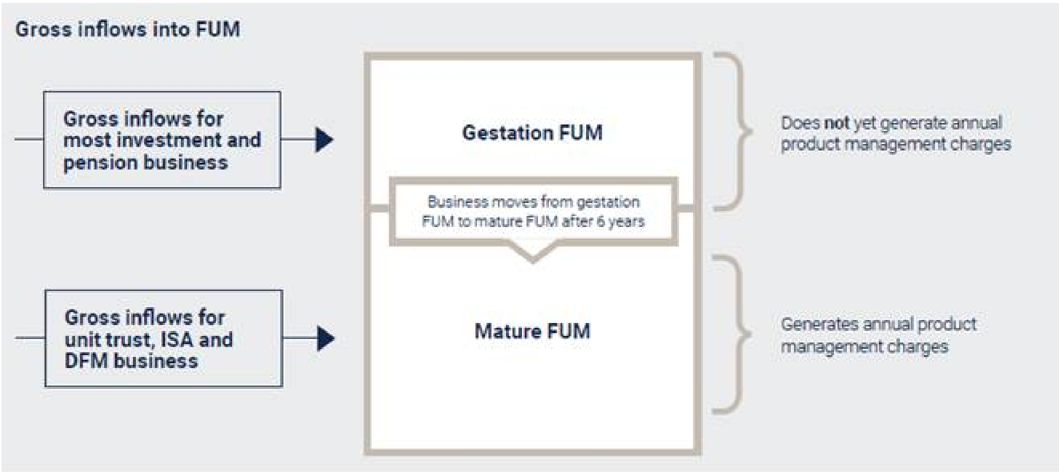
- advice charges for the provision of valuable, face-to-face advice; and
- product charges for our manufactured investment, pension and ISA/unit trust products.

Further information on our charges can be found on our website: **www.sjp.co.uk/charges**. A breakdown of fee and commission income, our primary source of revenue under IFRS, is set out in Note 4 on page 62.

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 18 and 21.

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 23 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 2022 and 2021. Investment return is presented net of all charges.

	2022				2021
	Investment	**Pension**	**UT/ISA and DFM**	**Total**	Total
	£'Billion	**£'Billion**	**£'Billion**	**£'Billion**	£'Billion
Opening FUM	35.95	74.83	43.21	153.99	129.34
Gross inflows	2.31	9.90	4.82	17.03	18.20
Net investment return	(3.15)	(7.68)	(4.57)	(15.40)	13.61
Regular income withdrawals and maturities	(0.29)	(1.72)	-	(2.01)	(2.00)
Surrenders and part-surrenders	(1.53)	(1.47)	(2.24)	(5.24)	(5.16)
Closing FUM	**33.29**	**73.86**	**41.22**	**148.37**	153.99
Net inflows	**0.49**	**6.71**	**2.58**	**9.78**	11.04
Implied surrender rate as a percentage of average FUM	**4.4%**	**2.0%**	**5.3%**	**3.5%**	3.6%

Included in the table above is:

- Rowan Dartington Group FUM of £3.29 billion at 31 December 2022 (31 December 2021: £3.52 billion), gross inflows of £0.44 billion for the year (2021: £0.55 billion) and outflows of £0.14 billion (2021: £0.14 billion); and
- SJP Asia FUM of £1.52 billion at 31 December 2022 (31 December 2021: £1.57 billion), gross inflows of £0.28 billion for the year (2021: £0.36 billion) and outflows of £0.10 billion (2021: £0.10 billion).

The following table shows the significant net inflows and the progression of FUM over the past six years.

	FUM as at 1 January	**Net inflows**	**Investment return**	**Other movements[1]**	**FUM as at 31 December**
Year	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**	**£'Billion**
2022	154.0	9.8	(15.4)	-	148.4
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

[1] Other movements in 2017 related to the matching strategy disinvestment.

The table below provides a geographical and investment-type analysis of FUM at 31 December.

	31 December 2022		31 December 2021	
	£'Billion	**Percentage of total**	£'Billion	Percentage of total
North American equities	49.1	33%	47.3	31%
Fixed income securities	23.1	16%	25.4	16%
European equities	19.3	13%	17.8	11%
Asia and Pacific equities	17.8	12%	18.6	12%
UK equities	16.0	11%	21.5	14%
Alternative investments	12.4	8%	11.9	8%
Cash	5.7	4%	5.9	4%
Other	2.8	2%	3.0	2%
Property	2.2	1%	2.6	2%
Total	**148.4**	**100%**	154.0	100%

1.2 Gestation

As explained in our financial business model on page 17, 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 54% of gross inflows for 2022, after initial charges, moved into gestation FUM (2021: 51%).

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.

Position as at	Mature FUM contributing to the Cash result £'Billion	Gestation FUM that will contribute to the Cash result in the future £'Billion	Total FUM £'Billion
31 December 2022	102.9	45.5	148.4
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

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 £45.5 billion at 31 December 2022 may start to contribute to the Cash result over the next six years and beyond, factoring in the change

in the main rate of corporation tax to 25% from 1 April 2023. 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.

Year	Gestation FUM future contribution to the Cash result £'Million
2023	47.9
2024	111.3
2025	176.2
2026	240.9
2027	310.5
2028 onwards	383.5

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 IFRS Statement of Financial Position includes policyholder liabilities and the corresponding assets held to match them, and so policyholder liabilities increase or decrease to match increases or decreases experienced on these assets. This means that shareholders are not exposed to any gains or losses on the £148.1 billion of policyholder 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 2022.

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 on three to better match the way in which cash emerges from the business. We therefore present our financial performance and position on 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 80 to 83, 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)

As referenced above, our IFRS results are impacted by 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. The scale and direction of these amounts can vary significantly: for example in 2022 we were required to refund £501.1 million to clients due to investment market falls which flowed through our IFRS profit before tax as an expense, whereas in 2021 we deducted £488.6 million from clients due to investment market gains, which flowed through as income. See Note 4 Fee and commission income for further information. This leads to substantial distortion within our IFRS profit before tax: for the year ended 31 December 2022 it was £0.7 million, compared to £842.4 million for the year ended 31 December 2021.

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:

- IFRS profit before shareholder tax; and
- underlying profit.

Further information on these IFRS-based measures is set out below.

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 typically 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. The following table demonstrates the way in which IFRS profit before shareholder tax is presented in the Consolidated Statement of Comprehensive Income on page 52.

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
IFRS profit before tax	**0.7**	842.4
Policyholder tax	501.1	(488.6)
IFRS profit before shareholder tax	**501.8**	353.8
Shareholder tax	(96.4)	(66.2)
IFRS profit after tax	**405.4**	287.6

However, in both the current and prior year IFRS profit before shareholder tax and IFRS profit after tax have been impacted by another nuance of life insurance tax, which has led to increases of over 40% in each of these balances year-on-year.

As set out above, 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 volatility can result in significant balances. Market falls in early 2020 led to positive movements in policyholder tax asymmetry. Strong market growth in 2021 then resulted in a substantial unwind of this asymmetry, which gave rise to a negative impact of £52.9 million on IFRS profit after tax and IFRS profit before shareholder tax in the prior year. 2022 has again seen significant market falls, resulting in a positive movement of £50.6 million. This leads to a £103.5 million year-on-year difference in both IFRS profit after tax and IFRS profit before shareholder tax.

Ultimately the effect will be eliminated from the Consolidated Statement of Financial Position, and so it is temporary and we expect it to reverse as markets increase again.

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 IFRS 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 2022	Year ended 31 December 2021
	£'Million	£'Million
IFRS profit before shareholder tax	**501.8**	353.8
Remove the impact of movements in DAC/DIR/PVIF	13.0	30.6
Underlying profit before shareholder tax	**514.8**	384.4

The impact of movements in DAC, DIR and PVIF on IFRS profit before shareholder tax is further analysed as follows.

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Amortisation of DAC	(79.6)	(86.1)
DAC on new business for the year	37.3	41.2
Net impact of DAC	**(42.3)**	(44.9)
Amortisation of DIR	166.2	164.8
DIR on new business for the year	(133.7)	(147.3)
Net impact of DIR	**32.5**	17.5
Amortisation of PVIF	**(3.2)**	(3.2)
Movement in year	**(13.0)**	(30.6)

Net impact of DAC

The scale of the £42.3 million negative overall impact of DAC on the IFRS result (2021: negative £44.9 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 two or three 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.

Net impact of DIR

The reduction in new business in the year means income deferred in 2022 is lower than it was in 2021. Income released from the deferred income liability has remained broadly static. Together, these effects mean that DIR has had a positive £32.5 million impact on the IFRS result in 2022 (2021: £17.5 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 equity-settled share-based payment costs. Further details, including the full definition of the Cash result, can be found in the Glossary of Alternative Performance Measures on pages 80 to 83. 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 2022		Year ended 31 December 2021	
	Before shareholder tax	**After tax**	Before shareholder tax	After tax
	£'Million	**£'Million**	£'Million	£'Million
Underlying profit	**514.8**	**414.7**	384.4	315.6
Equity-settled share-based payments	20.5	20.5	20.4	20.4
Impact of deferred tax	-	30.5	-	(0.5)
Impact of policyholder tax asymmetry	(50.6)	(50.6)	52.9	52.9
Other	0.8	(5.0)	2.9	(1.0)
Cash result	**485.5**	**410.1**	460.6	387.4

Equity-settled share-based payments have been static year on year, reflecting an increase in the number of shares and share options granted during the year, offset by lapse rate adjustments for expected performance against scheme conditions.

The most significant **impact of deferred tax** is the recognition in the Cash result of the benefit from realising tax relief on capital losses and deferred expenses. 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 2022. For further explanation, refer to page 21.

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 the business, excluding any items of a one-off nature and temporary timing differences; and

- **Cash result**

  This measure includes items of a one-off nature and temporary timing differences.

Consolidated cash result (presented post-tax)

		Year ended 31 December 2022			Year ended 31 December 2021
		In-force	**New business**	**Total**	Total
	Note	**£'Million**	**£'Million**	**£'Million**	£'Million
Net annual management fee	1	961.0	59.6	1,020.6	1,001.6
Reduction in fees in gestation period	1	(412.9)	-	(412.9)	(424.1)
Net income from FUM	1	548.1	59.6	607.7	577.5
Margin arising from new business	2	-	122.4	122.4	146.4
Controllable expenses	3	(19.9)	(258.0)	(277.9)	(264.6)
Asia - net investment	4	-	(11.3)	(11.3)	(13.6)
DFM - net investment	4	-	(10.9)	(10.9)	(9.6)
Regulatory fees and FSCS levy	5	(4.0)	(36.0)	(40.0)	(37.8)

Shareholder interest	6	15.9	-	15.9	6.2
Tax relief from capital losses	7	20.7	-	20.7	9.2
Miscellaneous	8	(16.5)	-	(16.5)	(12.5)
Underlying cash result		**544.3**	**(134.2)**	**410.1**	401.2
Restructuring	9	-	-	-	(9.7)
Change in capitalisation policy	10	-	-	-	(4.1)
Cash result		**544.3**	**(134.2)**	**410.1**	387.4

Notes to the Cash result

1. Net income from FUM

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

As noted on page 16 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.

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 over time with business mix and tax. For 2022, our net income from FUM is within our range of 0.63% - 0.65%. As this is a post-tax margin, the increase in the main rate of corporation tax from 19% to 25% from 1 April 2023 will result in the net income from FUM margin moving to a range of 0.59% - 0.61% for 2023. There will be another, more modest impact in 2024 when the tax rate will be 25% for the full year.

Net income from Asia and DFM FUM is not included in this line. Instead, this is included in the **Asia - net investment** and **DFM - net investment** lines.

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 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 2022	Year ended 31 December 2021
	£'Million	£'Million
Establishment expenses	198.9	200.3
Development expenses	67.4	54.0
Academy	11.6	10.3
Controllable expenses	**277.9**	264.6

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 despite the high inflationary environment, with these costs increasing by 5% to £277.9 million.

Establishment expenses in 2022 were broadly flat year on year at £198.9 million (2021: £200.3 million). These costs predominantly relate to people, property and technology and hence are relatively fixed in nature.

Development expenses were £67.4 million (2021: £54.0 million). Our investment in technology, alongside our commitment to making it easier to do business, is the driver behind the increase in our development expenses. We continue to improve our technology infrastructure and data quality, and to invest in Salesforce. We have also seen the successful phased launch of our new client app during the year.

Reflecting its critical role in providing a source of future organic growth in our adviser population, we continue to invest in building our **Academy** programme. 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. They include the Asia and DFM expenses set out in the reconciliation on page 28 between expenses presented separately on the face of the Cash result before tax and IFRS expenses.

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. Whilst both have been impacted by the challenging market conditions in 2022, they have each achieved outcomes broadly in line with prior guidance and are positioned 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 2022	Year ended 31 December 2021
	£'Million	£'Million
FSCS levy	27.3	28.1
Regulatory fees	12.7	9.7
Regulatory fees and FSCS levy	**40.0**	37.8

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. Whilst the FSCS levy across the industry has fallen significantly for the current year, our charge has only reduced modestly due to substantial gains in our market share.

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. It has increased significantly during the year following rises in the Bank of England base rate.

7. Tax relief from capital losses

A deferred tax asset has been recognised under IFRS for historic capital losses which were 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 £20.7 million tax value (2021: £9.2 million) arose due to the market conditions prevailing at 31 December 2022. The remaining tax value of capital losses stands at £2.1 million (31 December 2021: £26.8 million), which we expect to utilise in 2023.

8. Miscellaneous

This category represents the net cash flow of the business not covered in any of the other categories. It includes Group contributions to the St. James's Place Charitable Foundation 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. As expected, there were no such costs for 2022.

10. Change in capitalisation policy

In 2021 we recognised a further one-off cost of £4.1 million as a result of the International Financial Reporting Standards Interpretations Committee providing additional guidance on the recognition of software configuration costs. In line with the wider industry we reflected this guidance in a **change in capitalisation policy**. Again as expected, there were no such costs for 2022.

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 52, 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 2022			Year ended 31 December 2021		
	Before tax	**Tax rate**	**After tax**	Before tax	Tax rate	After tax
	£'Million	**Percentage**	**£'Million**	£'Million	Percentage	£'Million
Controllable expenses						
Establishment expenses	245.5	19.0%	198.9	247.3	19.0%	200.3
Development expenses	83.2	19.0%	67.4	66.7	19.0%	54.0
Academy	14.3	19.0%	11.6	12.7	19.0%	10.3
Total controllable expenses	**343.0**		**277.9**	326.7		264.6
Other costs presented separately on the face of the Cash result						
Regulatory fees and FSCS levy	49.4	19.0%	40.0	46.6	19.0%	37.8
Restructuring	-	-	-	12.0	19.0%	9.7
Change in capitalisation policy	-	-	-	5.1	19.0%	4.1
Total expenses presented separately on the face of the Cash result	**392.4**		**317.9**	390.4		316.2

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 2022	Year ended 31 December 2021
	£'Million	£'Million
Total expenses presented separately on the face of the Cash result before tax	**392.4**	390.4
Expenses which vary with business volumes		
Other performance-related costs	160.4	145.0
Payments to Partners	1,011.8	988.0
Investment expenses	85.7	88.0
Third-party administration	135.0	128.0
Other	57.0	64.3
Expenses relating to investment in specific areas of the business		
Asia expenses	20.9	23.3
DFM expenses	35.7	31.0
Total expenses included in the Cash result	**1,898.9**	1,858.0
Expenses which are not included in the Cash result		
Amortisation of DAC and PVIF, net of additions	45.5	48.1
Equity-settled share-based payments expenses	20.5	20.4
Other	1.3	4.8
Total IFRS Group expenses before tax	**1,966.2**	1,931.3

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 most relevant line of the Cash result, which is determined based on the nature of the expense. In most cases, this is either the net annual management fee or margin arising from new business lines.

most cases, this is either the net annual management fee or margin arising from new business lines.

Other expenses include interest expense and bank charges, operating costs of acquired financial adviser businesses 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 in the Asia - net investment and DFM - net investment lines.

Expenses which are not included in the Cash result

DAC amortisation, net of additions, PVIF amortisation and equity-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 2022.

31 December 2022	Note	IFRS Balance Sheet £'Million	Adjustment 1 £'Million	Adjustment 2 £'Million	Solvency II Net Assets Balance Sheet £'Million	Solvency II Net Assets Balance Sheet: 2021 £'Million
Assets						
Goodwill		33.6	-	(33.6)	-	-
Deferred acquisition costs		337.3	-	(337.3)	-	-
Purchased value of in-force business		11.2	-	(11.2)	-	-
Computer software		33.3	-	(33.3)	-	-
Property and equipment	1	145.7	-	-	145.7	154.5
Deferred tax assets	2	13.9	-	(11.4)	2.5	5.0
Investment in associates		1.4	-	-	1.4	1.4
Reinsurance assets		66.4	-	(66.4)	-	-
Other receivables	3	2,982.8	(1,604.8)	(3.2)	1,374.8	1,587.6
Income tax assets	6	35.0	-	-	35.0	-
Investment property		1,294.5	(1,294.5)	-	-	-
Equities		103,536.0	(103,536.0)	-	-	-
Fixed income securities	4	27,552.7	(27,544.8)	-	7.9	7.8
Investment in Collective Investment Schemes	4	5,735.4	(4,463.7)	-	1,271.7	1,605.3
Derivative financial instruments		3,493.0	(3,493.0)	-	-	-
Cash and cash equivalents	4	6,432.8	(6,179.5)	-	253.3	245.7
Total assets		**151,705.0**	**(148,116.3)**	**(496.4)**	**3,092.3**	3,607.3
Liabilities						
Borrowings	5	163.8	-	-	163.8	433.0
Deferred tax liabilities	2	162.9	-	2.2	165.1	624.4
Insurance contract liabilities		483.5	(414.9)	(68.6)	-	-
Deferred income		530.4	-	(530.4)	-	-
Other provisions		46.0	-	-	46.0	44.1
Other payables	1, 3	2,198.6	(842.0)	(19.1)	1,337.5	1,254.4
Investment contract benefits		106,964.7	(106,964.7)	-	-	-
Derivative financial instruments		3,266.3	(3,266.3)	-	-	-
Net asset value attributable to unit holders		36,628.4	(36,628.4)	-	-	-
Income tax liabilities	6	-	-	-	-	6.1
Total liabilities		**150,444.6**	**(148,116.3)**	**(615.9)**	**1,712.4**	2,362.0
Net assets		**1,260.4**	-	**119.5**	**1,379.9**	1,245.3

Adjustment 1 strips out the policyholder interest in unit-linked assets and liabilities, to present solely shareholder-impacting balances.

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

£114.4 million (2021: £120.3 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 £116.6 million are recognised within the other payables line (2021: £124.1 million). These have decreased as lease payments are made.

Note 8 Other payables to the IFRS Financial Statements provide further detail on lease liabilities.

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 7 Other receivables and Note 8 Other payables within the IFRS Financial Statements.

Other receivables on the Solvency II Net Assets Balance Sheet have decreased from £1,587.6 million at 31 December 2021 to £1,374.8 million at 31 December 2022, principally reflecting the sale to a third-party of a portfolio of business loans to Partners. Further information on business loans to Partners and the sale during the year is set out overleaf and in Note 7 Other receivables.

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 arose from the investment we have made into our back-office infrastructure project, which was 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 capitalised Bluedoor development costs as a prepayment asset on the IFRS Statement of Financial Position. The asset, which stood at £278.3 million at 31 December 2022 (31 December 2021: £296.3 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 2022 is 11 years.

During 2022 a project to migrate our offshore business onto Bluedoor commenced, which added £6.7 million to the total operational readiness prepayment asset. We expect to add approximately £40 million to the total operational readiness prepayment over the course of the project.

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

	2022	2021
	£'Million	£'Million
Cost		
At 1 January	413.5	406.6
Additions during the year	6.7	6.9
At 31 December	**420.2**	413.5
Accumulated amortisation		
At 1 January	(117.2)	(92.7)
Amortisation during the year	(24.7)	(24.5)
At 31 December	**(141.9)**	(117.2)
Net book value	**278.3**	296.3

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, loan-to-value (LTV) information is set out in the table below.

	31 December 2022	31 December 2021
Aggregate LTV across the total Partner lending book	32%	29%
Proportion of the book where LTV is over 75%	10%	7%
Net exposure to loans where LTV is over 100% (£'Million)	6.3	4.6

If FUM were to decrease by 10%, the net exposure to loans where LTV is over 100% at 31 December 2022 would increase to £9.3 million (31 December 2021: increase to £6.6 million).

Our credit experience also benefits from the repayment structure of business loans to Partners. 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. However, the balance has decreased significantly due to the sale to a third-party of a portfolio of £262.5 million business loans to Partners previously recognised on the Consolidated Statement of Financial Position. Further information is provided in Note 7 Other receivables.

	31 December 2022	31 December 2021
	£'Million	£'Million
Total business loans to Partners	**315.6**	521.6
Split by funding type:		
Business loans to Partners directly funded by the Group	315.6	307.6
Securitised business loans to Partners	-	214.0

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 2022	31 December 2021
	£'Million	£'Million
Fixed interest securities	7.9	7.8
Investment in Collective Investment Schemes (AAA-rated money market funds)	1,271.7	1,605.3
Cash and cash equivalents	253.3	245.7
Total liquid assets	**1,532.9**	1,858.8

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. This project and all associated decommissioning was completed in relation to our UK business in 2020. As noted on page 31, a project to migrate our offshore business onto Bluedoor commenced during the year. This is much smaller in scale than the migration of our UK business and so will have limited impact on liquidity and borrowings.

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 via the creation and execution of the securitisation vehicle referred to in previous years. For accounting purposes we are obliged to disclose on our Consolidated Statement of Financial Position the value of loan notes relating to the securitisation. Due to the sale during the year of a portfolio of business loans to Partners backing these loan notes, this balance was repaid in full during the year and so is negligible at 31 December 2022; but in the prior year the balance of £162.4 million inflated the reported level of borrowings. However, as the securitisation loan notes were secured only on the securitised portfolio of business loans to Partners, they were non-recourse to the Group's other assets.

This means that the senior tranche of non-recourse securitisation loan notes, whilst included within borrowing, were very different from the Group's senior unsecured corporate borrowings, which are used to manage working capital and fund investment in the business. Senior unsecured corporate borrowings reduced from £270.6 million at 31 December 2021 to £163.8 million at 31 December 2022, driven by the cash realised from the sale of the portfolio of business loans to Partners. Further information is provided in Note 9 Borrowings and financial commitments within the IFRS Financial Statements.

	31 December 2022	31 December 2021
	£'Million	£'Million
Corporate borrowings: bank loans	-	106.8
Corporate borrowings: loan notes	163.8	163.8
Senior unsecured corporate borrowings	**163.8**	270.6
Senior tranche of non-recourse securitisation loan notes	-	162.4
Total borrowings	**163.8**	433.0

During the year our revolving credit facility, one of our primary senior unsecured corporate borrowings facilities, was renewed. The facility increased from £340 million to £345 million, which is repayable at maturity in 2027.

6. Income tax liabilities

The Group has an income tax asset of £35.0 million at 31 December 2022 compared to a liability of £6.1 million at 31 December 2021. This is due to a current tax charge of £79.7 million, tax paid of £121.1 million and the impact of acquisitions and disposals of Group entities of a £0.3 million charge 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 2022	Year ended 31 December 2021
	£'Million	£'Million
Opening Solvency II net assets	1,245.3	1,218.6
Dividend paid	(303.9)	(329.9)
Issue of share capital and exercise of options	14.5	29.0
Consideration paid for own shares	(0.3)	-
Change in deferred tax	(30.5)	0.5
Impact of policyholder tax asymmetry	50.6	(52.9)
Change in goodwill, intangibles and other non-cash movements	(10.9)	(7.4)
Non-controlling interests arising on the part-disposal of subsidiaries	5.0	-
Cash result	410.1	387.4
Closing Solvency II net assets	**1,379.9**	1,245.3

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.

		Year ended 31 December 2022	Year ended 31 December 2021
	Note	**£'Million**	£'Million
Funds management business	1	1,725.8	1,662.9
Distribution business	2	(58.8)	(24.4)
Other		(77.3)	(93.1)
EEV operating profit		**1,589.7**	1,545.4
Investment return variance	3	(1,314.0)	894.5
Economic assumption changes	4	235.1	4.2
EEV profit before tax		**510.8**	2,444.1
Tax		(139.4)	(578.7)
Corporation tax rate change	5	-	(412.7)
EEV profit after tax		**371.4**	1,452.7

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 £1,725.8 million (2021: £1,662.9 million) and a full analysis of the result is shown below:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
New business contribution	977.2	1,002.2
Profit from existing business		
- unwind of the discount rate	440.7	275.8
- experience variance	89.0	89.5
- operating assumption change	210.1	293.0
Investment income	8.8	2.4
Funds management EEV operating profit	**1,725.8**	1,662.9

The **new business contribution** for the year at £977.2 million (2021: £1,002.2 million) was 2.5% lower than the prior year, primarily reflecting the reduction in new business volumes.

The **unwind of the discount rate** for the year was higher at £440.7 million (2021: £275.8 million), reflecting the larger in-force book at the start of 2022 compared to 2021, and an increase in the opening risk discount rate to 4.2% (2021: 3.4%).

The **experience variance** during the year was £89.0 million (2021: £89.5 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 £210.1 million (2021: positive £293.0 million). The change in the current year arises from a small improvement to the persistency assumptions for unit trust and ISA business, similar to the change in 2021 which arose due to a small improvement to the persistency assumptions for onshore bond and pension business. Both of the changes reflect positive retention experience over recent years. No further changes to persistency assumptions are expected in the short to medium term.

2. Distribution business

The distribution loss includes the positive gross margin arising from advice income less payments to advisers, offset by the costs of supporting the Partnership and building the distribution capabilities in Asia. The gross margin has decreased year on year reflecting lower new business volumes and the fact that some elements of our support for the Partnership are linked to prior-year new business levels. The FSCS levy expense for our distribution business remained high at £23.8 million (2021: £23.6 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 negative 9% after charges, compared to the assumed investment return of positive 2%. This resulted in a negative investment return variance of £1,314.0 million (2021: positive £894.5 million).

4. Economic assumption changes

The positive variance of £235.1 million arising in the year (2021: positive £4.2 million) reflects the positive effect from the increase in the risk-free rate, combined with a decrease in the expected long-term 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 were remeasured in the prior year.

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 2022	Year ended 31 December 2021
Investment		
New business contribution (£'Million)	148.2	153.0
Gross inflows (£'Billion)	2.31	2.62
Margin (%)	6.4	5.8
Pension		
New business contribution (£'Million)	495.3	512.0
Gross inflows (£'Billion)	9.90	9.86
Margin (%)	5.0	5.2
Unit trust and DFM		
New business contribution (£'Million)	333.7	337.2
Gross inflows (£'Billion)	4.82	5.72
Margin (%)	6.9	5.9
Total business		
New business contribution (£'Million)	977.2	1,002.2
Gross inflows (£'Billion)	17.03	18.20
Margin (%)	5.7	5.5
Post-tax margin (%)	4.3	4.2

The overall margin for the year was 5.7% (2021: 5.5%). The improvement year on year is due to a combination of the positive impact of the change in persistency for unit trust and ISA business, and controlled expenses.

Economic assumptions

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

	Year ended 31 December 2022	Year ended 31 December 2021
Risk-free rate	3.9%	1.1%
Inflation rate	3.6%	4.0%
Risk discount rate	7.0%	4.2%
Future investment returns:		
- Gilts	3.9%	1.1%
- Equities	6.9%	4.1%
- Unit-linked funds	6.2%	3.4%
Expense inflation	3.9%	4.4%

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 2022		**977.2**	**739.2**	**9,064.7**
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(16.9)	(12.9)	(77.5)
10% increase in withdrawal rates	2	(75.7)	(57.1)	(479.5)
10% reduction in market value of equity assets	3	-	-	(865.3)
10% increase in expenses	4	(15.7)	(11.9)	(90.6)
100bps increase in assumed inflation	5	(20.8)	(15.8)	(104.0)

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	124.8	94.1	720.6

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 2022	31 December 2021

	£'Million	£'Million
Value of in-force business	7,684.8	7,712.1
Solvency II net assets	1,379.9	1,245.3
Total embedded value	**9,064.7**	8,957.4

	£	£
Net asset value per share	**16.66**	16.57

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 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 Plan 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 crystallises. 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 £340 million to our embedded value at 31 December 2022 (31 December 2021: £395 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 during 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 2022 we reviewed the level of our MSB for the life businesses, and chose to maintain it at £355.0 million (31 December 2021: £355.0 million).

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 2021 Total
31 December 2022	**£'Million**	**£'Million**	**£'Million**	**£'Million**	£'Million
Solvency II net assets	377.7	323.2	679.0	1,379.9	1,245.3
MSB	355.0	177.7	-	532.7	518.0
Management solvency ratio	**106%**	**182%**			

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:

31 December 2022	Life[1] £'Million	Other regulated £'Million	Other[1,2] £'Million	Total £'Million	31 December 2021 Total £'Million
Solvency II net assets	377.7	323.2	679.0	1,379.9	1,245.3
Value of in-force (VIF)	5,580.4	-	-	5,580.4	5,640.1
Risk margin	(1,516.4)	-	-	(1,516.4)	(1,622.9)
Own funds (A)	**4,441.7**	**323.2**	**679.0**	**5,443.9**	5,262.5
Solvency capital requirement (B)	(3,404.5)	(118.0)	-	(3,522.5)	(3,939.1)
Solvency II free assets	**1,037.2**	**205.2**	**679.0**	**1,921.4**	1,323.4
Solvency ratio (A/B)	**130%**	**274%**		**155%**	134%

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 149% at the year-end (31 December 2021: 128%).

We continue to target a solvency ratio of 110% for St. James's Place UK plc, 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 130% at 31 December 2022 (31 December 2021: 115%).

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 2022		**1,921.4**	**3,522.5**	**155%**
100bps reduction in risk-free rates, with corresponding change in fixed interest asset values	1	1,839.6	3,527.9	152%
10% increase in withdrawal rates	2	1,959.0	3,287.5	160%
10% reduction in market value of equity assets	3	2,088.6	2,929.3	171%
10% increase in expenses	4	1,866.6	3,518.8	153%
100bps increase in assumed inflation	5	1,867.1	3,523.3	153%

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, agree 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.

The inherent risk environment faced by the Group changes over time as emerging factors and trends (including political risks such as changes in taxation, macroeconomic factors, cyber-crime and climate change) may impact on our short- and/or longer-term profitability. Under the leadership, direction and oversight of our Board, these risks are carefully assessed and managed in order to achieve our strategic objectives.

We do not, and cannot, seek to eliminate risk entirely; rather we aim to understand our risks and deal with 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 affecting our client and Partner propositions, investments, and dividend payments.

Our Risk Management and Control 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 and Control 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 strategic objectives. Based upon our risk appetite, the risks identified are either accepted or appropriate actions are taken to mitigate them.

The Board, through the Group Risk Committee, takes an active role in overseeing the Risk Management and Control 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 (ORSA); further information on this is provided on page 44.

On behalf of the Board, the Group 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 Group Risk Committee and Group Audit Committee and approves key aspects of the Group's Risk Management and Control Framework including the Risk Appetite Statement and Group ORSA.

Our risk appetite

The Board carefully sets its appetite for taking risk against the Group's strategic objectives. These choices are set out in detail in our Group Risk Appetite Statement, which is reviewed at least annually by the Group 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 particular risks. The Group Risk Appetite Statement informs the risk appetite statements prepared for 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 depending 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, alongside qualitative information, to enable the Group 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 applies comprehensive risk assessments to the business's activity, and ensures the Group is resilient to stresses in both 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.

The scenarios are used to assess 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 which we test every year, 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

There was a complex and rapidly evolving macroeconomic risk picture through 2022, which was exacerbated in the UK by political turmoil. We expect to see significant challenges at a national level in 2023 and beyond as people and businesses adjust to a higher interest rate environment and the higher cost of living. We are mindful of potential risks relating to changes in tax policy which could affect the amount our clients have available to save and how much tax they pay on income and investments. However, we also recognise an opportunity for our advisers, through ongoing financial advice, to support clients in managing their financial affairs in a volatile market; to combat the effects of inflation on the standard of living they are aiming for in retirement; and to remain tax-efficient in their savings as the tax landscape changes. We are also mindful of the potential for geopolitical tensions to escalate, which could have relevance to the Group through 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 macroeconomic risks associated with high inflation, the unwinding of 14 years of low interest rates and the threat of increasing geopolitical tension are not to be under-estimated. However, the Group's business model has demonstrated resilience and continues to be well positioned to survive extreme conditions and continue to invest for long-term growth.

Some examples of the key challenges for the business presented by the current macroeconomic conditions include:

- Asset prices could fall further as interest rates rise and the economic outlook deteriorates. Asset price falls reduce future profitability but, counterintuitively, improve the Group's solvency position in the short to medium term because our capital requirement reduces at a quicker rate than our own funds. The Group's financial resilience is demonstrated through stress and scenario testing and we remain highly confident in our ability to weather further extreme market falls, although such scenarios would negatively impact cash generation.
- In a higher inflationary environment our strategic targets of both limiting growth in controllable expenses to 5% per annum and investing in the business to support future growth become more difficult to jointly achieve. A key strategic consideration for the business is maintaining capacity for development expenditure and focusing investment on developments which will best support long-term growth in net client inflows.
- As interest rates rise, annuities could become more attractive for clients relative to remaining in drawdown. This could lead to an increase in withdrawals and hence a reduction in funds under management for the Group. However, whilst annuities are now relatively cheaper than they have been for some time, clients may be reluctant to crystallise funds to purchase an annuity in a market downturn. Furthermore, keeping funds in a drawdown pension continues to offer valuable flexibility.
- Business loans to advisers will have higher interest payments. This may come at a time where adviser income is under pressure due to negative market impacts on funds under management. However, we have operated careful lending criteria, which we are confident will limit the number of advisers who could require support, and we maintain the capacity to do so. Our field management team work with advisers to help them develop their businesses and, if required, SJP is able to provide targeted financial assistance.

Despite the potential macroeconomic risks we believe there are good reasons to be optimistic about continued investment and growth of net flows to the Group. In particular, our advisers are well placed to advise clients on the benefits of taking a long-term view and investing or continuing to invest when markets are relatively low.

Regulatory change

Regulatory change is a constant, and amongst the significant regulatory change agenda for 2023 the FCA has launched the new Consumer Duty regulation. This is intended to set higher and clearer standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers. In line with the whole of the industry we are engaging proactively with this important regulatory initiative. While we believe that we already achieve good outcomes for our clients, we are nonetheless reviewing all our client focused activities and reflecting on how we can develop them to meet ever increasing expectations. Ahead of Consumer Duty coming into force, there will be aspects of the way we operate which will need to change in order to meet regulatory expectations. The FCA is expecting action and where we identify this is required, we will respond to improve client experience and reduce any risk of poor client outcomes.

Climate change

Tackling climate change is an issue of high importance. We aim to grow in a sustainable way, taking a long-term view which ensures we are a force for good for our clients and the wider world. As an example of how we are putting this into practice we have pledged that our operations will become climate positive by 2025 and our investments will be net zero by 2050.

Climate change-related risks affect companies in different ways and we have carefully considered how climate change could impact the Group to identify 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. The invasion of Ukraine and rapid reduction in Russian oil and gas supplied to Europe has driven inflation and put focus on domestic energy security. We recognise that this presents a risk to the climate as western countries seek replacement fossil fuel resources in the short term, but also an opportunity in relation to accelerating the speed of transition to renewable energy sources.

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Whilst recognising the unique ways in which climate change can affect individual investments, our approach to managing this risk 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. Through this we aim to take account of climate risks whilst seeking to deliver returns for clients in line with their risk appetite and increasing the value of FUM. Further, to ensure our resilience as a Group to market movements, our liabilities to clients are fully matched by our invested assets.

We also consider physical risks on our operations as we look to enhance our operational resilience. Generally, through the nature of our operations and the geography in which we operate, the physical risks to our direct operations are low. We further work to understand the risk to our material third parties' operations and engage with them to share and remediate material concerns.

A key residual risk to the Group is meeting the views and expectations of current and potential clients around our approach to the challenges presented by climate change. We aim to be as transparent as possible on what we are doing and have to accept that our approach will be too little for some and too much for others.

Principal risks and uncertainties

Whilst the risk landscape evolved over the course of the year, the inherent principal risk areas that the business faces remain consistent with the previous year. An example of this is that security and resilience remains a principal risk area and within this cyber risk continues to be a key risk. Nevertheless, we recognise that the cyber environment continues to develop, particularly with State-sponsored threats, which increases the inherent cyber risk to the business.

The business priority areas which our principal risks impact are set out in the tables in the following pages, together with the high-level controls and processes through which we aim to mitigate them. 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:

- 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
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 consider whether they are performing as expected in working towards long-term objectives • Monitoring funds against their objectives mindful of 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

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	Risk description	Business priority	Key risks	Example controls
Conduct	We fail to provide quality, suitable advice or service to clients.	Building and protecting our brand and reputation	• Advisers deliver poor-quality or unsuitable advice • Failure to evidence the provision of quality service and advice	• Licensing programme which supports the quality of advice and service from advisers • Technical support helplines for advisers • Timely and clear responses to client complaints • Robust oversight process of the advice provided to clients delivered by Business Assurance, Compliance Assurance, Field Risk and Advice Guidance teams
Financial	We fail to effectively manage the business'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 • Direct 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 enable future cost reductions
- Monitoring and management of subsidiaries' solvency to minimise Group interdependency

	Risk description	Business priority	Key risks	Example controls
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 • 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 growth of the Partnership	• Focus on providing a market-leading Partner 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 personnel 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
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 existing regulations • Failure to comply with changing regulation or respond to changes in regulatory expectations • Inadequate internal controls	• 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

	Risk description	Business priority	Key risks	Example controls
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 • Mandatory 'Cyber Essentials Plus' accreditation for Partner practices or use of an SJP 'Device as a Service' solution • 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
Third parties	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 on key suppliers • Oversight of service levels of our third-party administration provider

Emerging risks

Emerging risks are identified through conversations and workshops with stakeholders throughout the business, reviewing academic papers, attending industry events 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 Group Risk Committee has reviewed emerging risks on a quarterly basis during 2022.

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

- inflation;
- consequences of the invasion of Ukraine;
- climate change and ESG-related risks;
- employee-related risks;
- shareholder activism; and
- risk of energy blackouts.

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 the 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 that a five-year time horizon is sufficiently long to assess potential impacts and aim to ensure that the business remains 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 is applied to test all material drivers in a variety of ways to provide understanding of dynamic impacts. Recently we have considered a number of onerous scenarios for our key financial drivers based on the 2022 year-end financial position. This included a scenario which explored how the 2022 Bank of England Annual Cyclical Scenario test for banks might impact the key financial variables for the Group. In order to do this, we carefully considered how the prescribed economic variables might translate for the Group. Our conclusion is that whilst this scenario would significantly reduce profitability it would be not cause any solvency concerns.

As a further example, as part of the dividend considerations in February 2022 we assessed the direct financial implications of a significant increase in the implied inflation curve, particularly over the next 1-3 years though also remaining significantly above expectations over the 4-10 year projection. We then used this inflation stress in two further scenarios of varying severity which also stressed the value of funds under management and new business relative to our base projections. In all scenarios, the Group was expected to remain adequately capitalised and have sufficient liquid resources, albeit the Group's profits, and therefore future dividends, would diminish. In the context of the 2022 dividend decision, however, these scenarios gave confidence that, after payment of the proposed dividend, the Group would remain within the Board's financial risk appetite.

It is also worth noting that when extreme events materialise, or the level of uncertainty in the external environment increases, management reacts 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 strategic investment in the business to increase shareholder value.

We remain confident that the Group is able to respond to 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:

Over the next year	
Risks: Over the short term, key risks are most likely to be operational, such as cybercrime or failure of operational processes. The cost-of-living crisis and higher interest rates are also key risks 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: managing expenses in a high inflationary environment whilst investing for growth; maintaining high engagement with the Partnership and supporting them through a tough macroeconomic environment; the pace of regulatory change; and talent management. Of the significant regulatory change due in 2023, including the new FCA Consumer Duty coming into force, there will be aspects of the way we operate which need to be evolved in order to continue to meet changing regulatory expectations and ultimately benefit our clients. 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 they tend to be short term in nature. However, we do not anticipate there being 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.	**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 protect the financial strength of the business. The business benefits from higher interest rates on cash reserves and has significant financial resources to support Partner businesses if required and where appropriate, though the need is likely to be limited due to the application of careful lending criteria for business loans to Partners. Changing regulatory expectations including Consumer Duty are being considered in depth. We are a client focused business and so any changes we make should be positive for our business, reducing regulatory and reputational risk and supporting good client outcomes. Operational resilience and business continuity are also important risks which might cause severe business disruption and are carefully managed. There are not considered to be any material uncertainties over the ability of the Group to survive over the one-year time horizon.
Over the next five years	
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 grow, and risks may materialise from non-traditional competitors seeking to disrupt the UK financial advice market. An example of a strategic risk relates to ensuring we continue to provide the best proposition for advisers at each stage of their journey with SJP, to support productivity and retention.	**Resilience:** In 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 both existing and potential clients. As the largest wealth manager in the UK, the Group is well resourced to respond effectively 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 however support clients and advisers in making the most of their interactions and drive efficiency in 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.
Beyond 2027	
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 greater. Risks from climate change relating to investor sentiment and political change are already 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.	**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 a greater competitive risk. We have been developing our responsible investing proposition for some years and welcome the focus in this area, as it is the right thing to do and provides 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. Finally, 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.

Conclusion

In accordance with the 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 Group's 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 2022 £'Million	Year ended 31 December 2021 £'Million
Insurance premium income		33.7	36.5
Less premiums ceded to reinsurers		(23.3)	(23.2)
Net insurance premium income		**10.4**	13.3
Fee and commission income	4	1,954.2	2,737.2
Investment return	5	(13,771.9)	15,275.4
Net income		**(11,807.3)**	18,025.9
Policy claims and benefits			
- Gross amount		(48.0)	(62.8)
- Reinsurers' share		14.6	16.9
Net policyholder claims and benefits incurred		**(33.4)**	(45.9)
Change in insurance contract liabilities			
- Gross amount		88.8	(9.7)
- Reinsurers' share		(16.0)	(9.9)
Net change in insurance contract liabilities		**72.8**	(19.6)
Movement in investment contract benefits	5	13,734.8	(15,186.7)
Expenses		(1,966.2)	(1,931.3)
Profit before tax	3	**0.7**	842.4
Tax attributable to policyholders' returns	6	501.1	(488.6)
Profit before tax attributable to shareholders' returns		**501.8**	353.8
Total tax expense	6	404.7	(554.8)
Less: tax attributable to policyholders' returns	6	(501.1)	488.6
Tax attributable to shareholders' returns	6	(96.4)	(66.2)
Profit and total comprehensive income for the year		**405.4**	287.6
Profit attributable to non-controlling interests		0.4	0.9
Profit attributable to equity shareholders		405.0	286.7
Profit and total comprehensive income for the year		**405.4**	287.6

		Pence	Pence
Basic earnings per share	11	**74.6**	53.3
Diluted earnings per share	11	**73.9**	52.5

The results relate to continuing operations.

Consolidated Statement of Changes in Equity

	Note	Share capital £'Million	Share premium £'Million	Shares in trust reserve £'Million	Misc. reserves £'Million	Retained earnings £'Million	Total £'Million	Non-controlling interests £'Million	Total equity £'Million
		Equity attributable to owners of the Parent Company							
At 1 January 2021		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	11	-	-	-	-	(329.9)	(329.9)	-	(329.9)
Issue of share capital	11	0.1	10.2	-	-	-	10.3	-	10.3
Exercise of options	11	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**
Profit and total comprehensive income for the year		-	-	-	-	405.0	405.0	0.4	405.4
Dividends	11	-	-	-	-	(303.6)	(303.6)	(0.3)	(303.9)
Issue of share capital	11	0.1	5.6	-	-	-	5.7	-	5.7
Exercise of options	11	0.4	8.4	-	-	-	8.8	-	8.8
Consideration paid for own shares		-	-	(0.3)	-	-	(0.3)	-	(0.3)
Shares sold during the year		-	-	4.7	-	(4.7)	-	-	-
Retained earnings credit in respect of share option charges		-	-	-	-	20.5	20.5	-	20.5
Non-controlling interests arising on the part-disposal of subsidiaries		-	-	-	-	4.9	4.9	0.1	5.0
At 31 December 2022		**81.6**	**227.8**	**(4.1)**	**2.5**	**952.4**	**1,260.2**	**0.2**	**1,260.4**

The number of shares held in the Shares in trust reserve is given in Note 11 Share capital, earnings per share and dividends.

Miscellaneous reserves represent other non-distributable reserves.

Consolidated Statement of Financial Position

	Note	**Year ended 31 December 2022**	Year ended 31 December 2021
		£'Million	£'Million
Assets			
Goodwill		33.6	29.6
Deferred acquisition costs		337.3	379.6
Intangible assets			
- Purchased value of in-force business		11.2	14.4
- Computer software		33.3	27.0
Property and equipment		145.7	154.5
Deferred tax assets	6	13.9	20.6
Investment in associates		1.4	1.4
Reinsurance assets		66.4	82.4
Other receivables	7	2,982.8	2,923.0
Income tax assets		35.0	-
Investments			
- Investment property		1,294.5	1,568.5
- Equities		103,536.0	106,782.3
- Fixed income securities		27,552.7	29,305.9
- Investment in Collective Investment Schemes		5,735.4	5,513.2
- Derivative financial instruments		3,493.0	1,094.6
Cash and cash equivalents		6,432.8	7,832.9
Total assets		**151,705.0**	155,729.9
Liabilities			
Borrowings	9	163.8	433.0
Deferred tax liabilities	6	162.9	649.8
Insurance contract liabilities		483.5	572.3
Deferred income		530.4	562.6
Other provisions		46.0	44.1
Other payables	8	2,198.6	2,604.5
Investment contract benefits	5	106,964.7	110,349.8
Derivative financial instruments		3,266.3	1,019.5
Net asset value attributable to unit holders		36,628.4	38,369.0
Income tax liabilities		-	6.1
Total liabilities		**150,444.6**	154,610.7
Net assets		**1,260.4**	1,119.2
Shareholders' equity			
Share capital	11	81.6	81.1
Share premium		227.8	213.8
Shares in trust reserve		(4.1)	(8.5)
Miscellaneous reserves		2.5	2.5
Retained earnings		952.4	830.3
Equity attributable to owners of the Parent Company		**1,260.2**	1,119.2
Non-controlling interests		0.2	-
Total equity		**1,260.4**	1,119.2

	Pence	Pence
Net assets per share	**231.6**	207.1

Consolidated Statement of Cash Flows

	Note	**Year ended 31 December 2022**	Year ended 31 December 2021
		£'Million	£'Million
Cash flows from operating activities			
Cash (used in)/generated from operations	10	(975.1)	1,741.0
Interest received		61.8	19.2
Interest paid		(12.4)	(10.2)
Income taxes paid	6	(121.1)	(319.1)
Contingent consideration		(6.3)	(1.3)
Net cash (outflow)/inflow from operating activities		**(1,053.1)**	1,429.6
Cash flows from investing activities			
Payments for property and equipment		(4.0)	(3.4)
Payment of software development costs		(16.1)	(19.2)
Payments for acquisition of subsidiaries and other business combinations, net of cash acquired		(13.9)	(6.6)
Proceeds from sale of shares in subsidiaries and other business combinations, net of cash disposed		4.0	4.1
Proceeds from sale of financial assets held at amortised cost		262.5	-
Net cash inflow/(outflow) from investing activities		**232.5**	(25.1)
Cash flows from financing activities			
Proceeds from the issue of share capital and exercise of options		8.8	18.7
Consideration paid for own shares		(0.3)	-
Proceeds from borrowings	9	204.0	576.4
Repayment of borrowings	9	(475.3)	(486.1)
Principal elements of lease payments		(13.8)	(10.7)
Dividends paid to Company's shareholders	11	(303.6)	(329.9)
Dividends paid to non-controlling interests in subsidiaries		(0.3)	-
Net cash (outflow) from financing activities		**(580.5)**	(231.6)
Net (decrease)/increase in cash and cash equivalents		**(1,401.1)**	1,172.9
Cash and cash equivalents at 1 January		7,832.9	6,660.1
Effects of exchange rate changes on cash and cash equivalents		1.0	(0.1)
Cash and cash equivalents at 31 December		**6,432.8**	7,832.9

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').

The Group 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.

As at 31 December 2022, the following relevant amended standards, which the Group adopted as of 1 January 2022, have not had any material impact on the Group's Consolidated Financial Statements:

- Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework; and
- Annual Improvements to IFRS Standards 2018-2020.

There were no new accounting standards adopted as of 1 January 2022.

As at 31 December 2022, the following new and amended standards, which are relevant to the Group but have not been applied in the Financial Statements, were in issue but are not yet effective. All of the below had been adopted by the UK Endorsement Board as at 31 December 2022, except for Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current:

- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current;

- Amendments to IAS 1 Presentation of Financial Statements - Disclosure of Accounting Policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates;
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Asset and Liabilities arising from a Single Transaction; and
- IFRS 17 Insurance Contracts.

The adoption of the above standards and amendments is not expected to have a material impact on the Group's Consolidated Financial Statements other than requiring additional disclosure or alternative presentation. Further detail regarding IFRS 17 Insurance Contracts is given below.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and is mandatory for annual reporting periods commencing on 1 January 2023. It incorporates revised principles for the recognition, measurement, presentation and disclosure of insurance contracts.

Under IFRS 17, groups of insurance contracts are recognised and measured as:

- the Fulfilment Cashflows, which comprise an estimate of future cash flows, adjusted to reflect the time value of money, the financial risks associated with the future cash flows and a risk adjustment for non-financial risk; and
- the Contractual Service Margin, comprising the unearned profit within a group of contracts that will be recognised as the Group provides insurance services in the future.

If a group of contracts is expected to be onerous (i.e. loss-making) over the remaining coverage period, a loss is recognised immediately.

The Group closed to new insurance business, as defined under IFRS 17, in 2011. At 31 December 2022, on an IFRS 4 Insurance Contracts basis, the Group had £68.6 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £414.9 million of unit-linked insurance contract liabilities. As a result, the Group's exposure on this business is not material (£2.2 million, being the net of £68.6 million non-unit-linked insurance liabilities and £66.4 million reinsurance assets).

The Group has an established project group managing the implementation of IFRS 17, overseen by the Group Audit Committee. During 2022 the Group continued to refine its valuation approach and to develop the required models and reporting systems, with the associated governance processes due to be completed in 2023. Whilst these processes have yet to be completed, there is not expected to be a material impact on either equity or financial results on adopting IFRS 17.

The Group intends to adopt the following key accounting policies:

- the General Measurement Model will be applied to non-unit-linked insurance business and reassurance ceded, and the Variable Fee Approach to unit-linked insurance business measured under IFRS 17;
- the fair value approach will be applied to all insurance contracts on transition to IFRS 17, as the Group considers that application of a fully retrospective approach is impracticable (since our accounting and actuarial systems hold information on historic business at a higher level of aggregation than that required for the fully retrospective approach); and
- IFRS 17 requires an accounting policy decision as to whether to recognise all finance income or expense in profit or loss, or whether to disaggregate the income or expense that relates to changes in financial assumptions into other comprehensive income. All finance income and expense will be included in profit or loss.

Adoption of IFRS 17 is not expected to have a material impact on alternative performance measures used by the Group.

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 2021.

Alternative Performance Measures

Within the Financial Statements, a number of alternative performance measures (APMs) are disclosed. An APM is a measure of financial performance, financial position or cash flows which is not defined by the relevant financial reporting framework, which for the Group is International Financial Reporting Standards 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. A definition of each APM is included in The Glossary of Alternative Performance Measures, which explains why it is used and, where applicable, explains how the measure can be reconciled to the IFRS Financial Statements.

2. Critical accounting estimates and judgements in applying accounting policies

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.

Determining the value 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 based on an investigation of experience during the year;
- the level of expenses, which is based on actual expenses in 2022 and expected rates in 2023 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 at least 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, additionally, 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.

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 held at fair value, with the best evidence of the fair value at initial recognition typically being the transaction price i.e. the fair value of the consideration given or received.

During 2021 and 2022, a number of investments were made in 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.

Following the invasion of Ukraine by Russia, sanctions and trading restrictions were placed on foreign investors. As a result, fair value pricing was applied to Russian assets that represents a significant markdown in the value of these assets.

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 (Stage 3), 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.

Determining the derecognition of business loans to Partners

Business loans to Partners are derecognised, in the context of the definition prescribed by IFRS 9, when:

- the assets have been sold to a third party;
- there is an obligation to pay received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- the originator has transferred substantially all the risks and rewards of owning the assets.

See Note 7 for further information on the derecognition of business loans to Partners.

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 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 the pre-tax European Embedded Value (EEV) profit.

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 equity-settled share-based payments is reflected in changes in shareholder equity, they are also not included in the Underlying cash result.

More detail is provided in Section 2.2 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 2022	Year ended 31 December 2021
	£'Million	£'Million
Underlying cash result after tax	**410.1**	401.2
Equity-settled share-based payments	(20.5)	(20.4)
Deferred tax impacts	(30.5)	0.5
Restructuring	-	(9.7)
Impact in the year of DAC/DIR/PVIF	(9.3)	(28.0)
Impact of policyholder tax asymmetry (see Note 4)[1]	50.6	(52.9)
Other	5.0	(3.1)
IFRS profit after tax	**405.4**	287.6
Shareholder tax	96.4	66.2
Profit before tax attributable to shareholders' returns	**501.8**	353.8
Tax attributable to policyholder returns	(501.1)	488.6
IFRS profit before tax	**0.7**	842.4

[1] Further information on policyholder tax asymmetry can also be found in Section 2.1 of the Financial Review.

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.

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
EEV operating profit before tax	1,589.7	1,545.4
Investment return variance	(1,314.0)	894.5
Economic assumption changes	235.1	4.2
EEV profit before tax	**510.8**	2,444.1
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)	103.5	(824.5)
Movement of balance sheet unit trust and DFM value of in-force business (net of tax)	(94.9)	(337.3)
Corporation tax rate change	-	(412.7)
Tax on movement in value of in-force business	(14.4)	(512.6)
Profit before tax attributable to shareholders' returns	**501.8**	353.8
Tax attributable to policyholder returns	(501.1)	488.6
IFRS profit before tax	**0.7**	842.4

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, is the measure of segment assets which is monitored on a monthly basis by the Board.

	31 December 2022	31 December 2021
	£'Million	£'Million
Investment	33,290.0	35,950.0
Pension	73,860.0	74,830.0
UT/ISA and DFM	41,220.0	43,210.0
Total FUM	**148,370.0**	153,990.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	(4,407.3)	(4,811.5)
Other	4,153.6	2,392.5
Gross assets held to cover unit liabilities	**148,116.3**	151,571.0
IFRS intangible assets	496.4	551.6
Shareholder gross assets	3,092.3	3,607.3
Total assets	**151,705.0**	155,729.9

Other represents liabilities included within the underlying unit trusts. The unit trust liabilities form a reconciling item between total FUM, which is reported net of these liabilities, and total assets, which exclude these liabilities.

More detail on IFRS intangible assets and shareholder gross assets is provided in Section 2.2 of the Financial Review.

4. Fee and commission income

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Advice charges (post-RDR)	987.6	946.7
Third-party fee and commission income	131.9	135.8
Wealth management fees	1,039.0	974.5
Investment management fees	60.8	63.4
Fund tax deductions	(501.1)	486.9
Policyholder tax asymmetry	50.6	(52.9)
Discretionary fund management fees	23.4	22.4
Fee and commission income before DIR amortisation	**1,792.2**	2,576.8
Amortisation of DIR	162.0	160.4
Total fee and commission income	**1,954.2**	2,737.2

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

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

Wealth management fees represent charges levied on manufactured business.

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 (refunds)/deductions represent amounts credited to, or deducted from, the life insurance business to match policyholder tax credits or charges.

Life insurance tax incorporates a policyholder tax element, and the Financial Statements of a life insurance group need to reflect the liability to HMRC, with the corresponding deductions incorporated into policy charges ('Fund tax deductions' in the table above). 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 IFRS 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 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 falls experienced in 2022 have resulted in a significant positive movement, unwinding the negative impact seen in 2021.

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

Where an investment has been made in 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.

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 2022	Year ended 31 December 2021
	£'Million	£'Million
Investment return on net assets held to cover unit liabilities		
Rental income	70.1	74.7
(Loss)/gain on revaluation of investment properties	(244.5)	181.4
Net investment return on financial instruments classified as fair value through profit and loss	(9,457.9)	11,400.2
	(9,632.3)	11,656.3
Attributable to unit-linked insurance contract liabilities	*(66.2)*	*52.8*
Attributable to unit-linked investment contract benefits	*(9,566.1)*	*11,603.5*
	(9,632.3)	11,656.3
Income attributable to third-party holdings in unit trusts	(4,168.7)	3,583.2
	(13,801.0)	15,239.5
Investment return on shareholder assets		
Net investment return on financial instruments classified as fair value through profit and loss	(2.9)	17.7
Interest income on financial instruments held at amortised cost	32.0	18.2
	29.1	35.9
Total investment return	**(13,771.9)**	15,275.4

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 £1,216.0 million (2021: £985.1 million).

Movement in investment contract benefits

	2022	2021
	£'Million	£'Million
Balance at 1 January	110,349.8	93,132.7
Deposits	12,194.6	12,438.1
Withdrawals	(5,645.1)	(5,607.5)
Movement in unit-linked investment contract benefits	(9,566.1)	11,603.5
Fees and other adjustments	(368.5)	(1,217.0)
Balance at 31 December	**106,964.7**	110,349.8
Current	5,546.3	5,585.4
Non-current	101,418.4	104,764.4
	106,964.7	110,349.8
Movement in unit liabilities		
Unit-linked investment contract benefits	(9,566.1)	11,603.5
Third-party unit trust holdings	(4,168.7)	3,583.2
Movement in investment contract benefits in the Consolidated Statement of Comprehensive Income	**(13,734.8)**	15,186.7

6. Income and deferred taxes

Tax for the year

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Current tax		
UK corporation tax		
- Current year charge	66.0	294.1
- Adjustment in respect of prior year	3.5	(6.7)
Overseas taxes		
- Current year charge	10.2	6.1
- Adjustment in respect of prior year	-	0.1
	79.7	293.6
Deferred tax		
Unrealised capital (losses)/gains in unit-linked funds	(504.0)	266.7
Unrelieved expenses		
- Additional expenses recognised in the year	(9.9)	(10.8)
- Utilisation in the year	11.4	11.6
Capital losses		
- Revaluation in the year	4.0	(1.4)
- Utilisation in the year	25.2	9.2
- Adjustment in respect of prior year	(4.5)	4.0
DAC, DIR and PVIF	(8.5)	(8.9)
Share-based payments	3.3	(8.7)
Renewal income assets	(3.0)	0.7
Fixed asset timing differences	1.0	(2.2)
Other items	(1.5)	1.0
Overseas losses	0.1	(1.1)
Adjustment for change in tax rate	-	0.4
Adjustments in respect of prior periods	2.0	0.7
	(484.4)	261.2
Total tax (credit)/charge for the year	**(404.7)**	554.8
Attributable to:		
- policyholders	(501.1)	488.6
- shareholders	96.4	66.2
	(404.7)	554.8

The prior year adjustment of £3.5 million in current tax above represents a charge of £7.3 million in respect of policyholder tax (2021: £6.0 million credit) and a credit of £3.8 million in respect of shareholder tax (2021: £0.7 million credit). The prior year adjustment of £2.5 million in deferred tax above represents a credit of £nil in respect of policyholder tax and a credit of £2.5 million in respect of shareholder tax (2021: deferred tax relates entirely to shareholder tax).

In arriving at the profit before tax attributable to shareholders' return, it is necessary to estimate the distribution 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 2022	Year ended 31 December 2021
	£'Million	£'Million
Profit before tax	0.7	842.4

Tax attributable to policyholders' returns	501.1		(488.6)	
Profit before tax attributable to shareholders' returns	**501.8**		353.8	
Shareholder tax charge at corporate tax rate of 19% (2021: 19%)	95.3	19.0%	67.2	19.0%
Adjustments:				
Lower rates of corporation tax in overseas subsidiaries	(1.3)	(0.3%)	(1.2)	(0.3%)
Expected shareholder tax	**94.0**	**18.7%**	66.0	18.6%
Effects of:				
Non-taxable income	(1.5)		(0.9)	
Revaluation of historic capital losses in the Group	4.0		(1.4)	
Adjustment for change in tax rates	-		0.4	
Adjustment in respect of prior year				
- Current tax	(3.8)		(0.7)	
- Deferred tax	(2.5)		4.7	
Differences in accounting and tax bases in relation to employee share schemes	2.5		(4.6)	
Impact of difference in tax rates between current and deferred tax	(3.0)		(2.4)	
Disallowable expenses	5.6		4.0	
Provision for future liabilities	0.5		0.3	
Tax losses not recognised	2.2		1.2	
Other	(1.6)		(0.4)	
	2.4	0.5%	0.2	0.1%
Shareholder tax charge	**96.4**	**19.2%**	66.2	18.7%
Policyholder tax (credit)/charge	**(501.1)**		488.6	
Total tax (credit)/charge for the year	**(404.7)**		554.8	

Tax calculated on profit before tax at 19% (2021: 19%) would amount to £0.1 million (2021: £160.1 million). The difference of £404.8 million (2021: £394.7 million) between this number and the total tax credit of £404.7 million (2021: £554.8 million charge) is made up of the reconciling items above which total a charge of £1.1 million (2021: £1.0 million credit) and the effect of the apportionment methodology on tax applicable to policyholder returns of £405.9 million (2021: £395.7 million).

Tax paid in the year

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Current tax charge for the year	79.7	293.6
Refunds due to be received/(Payments to be made) in future years in respect of current year	39.5	(3.6)
Payments made in current year in respect of prior years	1.6	27.3
Other	0.3	1.8
Tax paid	**121.1**	319.1
Tax paid can be analysed as:		
- Taxes paid in UK	110.1	306.0
- Taxes paid in overseas jurisdictions	3.9	4.7
- Withholding taxes suffered on investment income received	7.1	8.4
Total	**121.1**	319.1

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 2021	(19.4)	33.1	(12.3)	6.8	5.6	0.6	14.4
Credit/(charge) 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**
Credit/(charge) to the Statement of Comprehensive Income							
- Utilised and created in year	1.2	(0.1)	3.1	(3.3)	(3.9)	1.2	(1.8)
Total credit/(charge)	1.2	(0.1)	3.1	(3.3)	(3.9)	1.2	(1.8)
Impact of acquisition	-	-	(4.4)	-	-	-	(4.4)
Reclassified to deferred tax liabilities	-	-	-	-	-	(0.5)	(0.5)
At 31 December 2022	**(20.4)**	**37.7**	**(20.7)**	**12.9**	**3.9**	**0.5**	**13.9**
Expected utilisation period							
As at 31 December 2021	14 years	14 years	20 years	3 years	6 years		
As at 31 December 2022	**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 2021	(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**
Charge/(credit) to the Statement of Comprehensive Income							
- Utilised and created in year	1.6	(7.8)	20.7	(504.0)	(0.6)	(0.3)	(490.4)
- Impact of tax rate change	-	-	4.0	-	-	-	4.0
Total charge/(credit)	1.6	(7.8)	24.7	(504.0)	(0.6)	(0.3)	(486.4)
Reclassified from deferred tax assets	-	-	-	-	-	(0.5)	(0.5)
At 31 December 2022	**(37.5)**	**20.2**	**(2.1)**	**180.1**	**2.8**	**(0.6)**	**162.9**
Expected utilisation period							
As at 31 December 2021	6 years	14 years	5 years	5 years	4 years		
As at 31 December 2022	**6 years**	**14 years**	**1 years**	**6 years**	**3 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 £15.0 million (2021: £14.0 million) in respect of £92.1 million (2021: £82.2 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 Act 2021 and as a result the relevant deferred tax balances were remeasured in 2021.

In December 2022, the OECD published key documents on the implementation of the new Pillar Two model rules. This legislation will apply to St. James's Place as a large multinational with effect from 1 January 2024. We are reviewing the latest documents in detail to assess the likely impact.

7. Other receivables

	31 December 2022	31 December 2021
	£'Million	£'Million
Receivables in relation to unit liabilities excluding policyholder interests	397.0	433.6
Other receivables in relation to insurance and unit trust business	81.4	71.7
Operational readiness prepayment	278.3	296.3
Advanced payments to Partners	83.8	71.0
Other prepayments and accrued income	84.3	84.3
Business loans to Partners	315.6	521.6
Renewal income assets	115.5	102.5
Miscellaneous	18.9	6.6
Total other receivables on the Solvency II Net Assets Balance Sheet	**1,374.8**	1,587.6
Policyholder interests in other receivables (see Note 11)	1,604.8	1,332.4
Other	3.2	3.0
Total other receivables	**2,982.8**	2,923.0
Current	2,363.0	2,106.1
Non-current	619.8	816.9
	2,982.8	2,923.0

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 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.

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 business combinations or books of business acquired by the Group.

Business loans to Partners

	31 December 2022	31 December 2021
	£'Million	£'Million
Business loans to Partners directly funded by the Group	315.6	307.6
Securitised business loans to Partners	-	214.0
Total business loans to Partners	**315.6**	521.6

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 respective Partner.

During the year, £262.5 million of business loans to Partners previously recognised in the Consolidated Statement of Financial Position were sold to a third-party. The sale occurred at book value and met the derecognition criteria of

IFRS 9 as substantially all risks and rewards of ownership were transferred. The risks and rewards of ownership were assessed as transferred primarily due to the following:

- the loans were sold to a third-party Special Purpose Vehicle (SPV) which the Group does not manage or control;
- the third-party SPV has the ability to remove the Group as the servicing party;
- there is no exposure from the loans sold to the third-party SPV through clawback, or any residual credit risk; and
- the transaction was structured by identifying a portfolio of loans (totaling £276.3 million), selling 95% of the full individual loans within that portfolio (realising proceeds of £262.5 million) and retaining 5% of the full individual loans within the portfolio as

required under the Securitisation regulation. The loans were assessed for derecognition on an individual basis and the retained 5% do not meet the derecognition criteria for IFRS 9

As a result, these business loans to Partners are no longer recognised on the Consolidated Statement of Financial Position.

The Group has a continued involvement with the derecognised assets through the servicing of the transferred loan portfolio. A servicing fee is received in respect of this servicing which is immaterial to the Group. The servicing fee is included within fee and commission income on the face of the Consolidated Statement of Comprehensive Income.

The sale included £222.8 million of securitised business loans to Partners, reducing the securitised loan balance to £nil (2021: £214.0 million). The senior tranche of securitisation loan notes that were secured upon those securitised business loans to Partners were repaid as part of the transaction. See Note 9 for further information.

Prior to the sale, legal ownership of the securitised business loans to Partners had been transferred to a structured entity, SJP Partner Loans No.1 Limited, which issued loan notes secured upon them. Note 9 provides information on these loan notes. The securitised business loans to Partners were ring-fenced from the other assets of the Group, which means that the cash flows associated with these business loans to Partners could only have been used to purchase new loans which go into the structure, or to repay the note holders, plus associated issuance fees and costs. Holders of the loan notes had no recourse to the Group's other assets. The securitised business loans to Partners were 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 2022	500.5	21.0	4.1	525.6
Business loans to Partners classification changes:				
- Transfer to underperforming	(4.8)	4.8	-	-
- Transfer to non-performing	(0.5)	(0.9)	1.4	-
- Transfer to performing	5.2	(5.2)	-	-
Sale to a third party during the year	(262.5)	-	-	(262.5)
New lending activity during the year	216.6	2.1	0.4	219.1
Interest charged during the year	20.6	0.9	0.2	21.7
Repayment activity during the year	(178.0)	(5.0)	(1.5)	(184.5)
Gross balance at 31 December 2022	**297.1**	**17.7**	**4.6**	**319.4**

	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
Repayment 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

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. For those business loans to Partners sold to a third party, full credit risk has been transferred.

The provision held against business loans to Partners as at 31 December 2022 was £3.8 million (2021: £4.0 million). During the year, £0.3 million of the provision was released (2021: £nil), £0.2 million was utilised (2021: £0.5 million) and new provisions and adjustments to existing provisions increased the total by £0.3 million (2021: £0.5 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 2022	31 December 2021
	£'Million	£'Million
Gross business loans to Partners	319.4	525.6
Provision	(3.8)	(4.0)
Net business loans to Partners	**315.6**	521.6

Renewal income assets

Movement in renewal income assets

	2022	2021
	£'Million	£'Million
Balance at 1 January	102.5	87.4
Additions	36.1	34.6
Disposals	(7.8)	(10.5)
Revaluation	(15.3)	(9.0)
Balance at 31 December	**115.5**	102.5

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

	31 December 2022	31 December 2021
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	12.0% to 13.7%	3.4% 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.

8. Other payables

	31 December 2022	31 December 2021
	£'Million	£'Million
Payables in relation to unit liabilities excluding policyholder interests	326.2	178.9
Other payables in relation to insurance and unit trust business	417.8	448.9
Accrual for ongoing advice fees	133.2	141.2
Other accruals	105.8	103.6
Contract payment	95.8	107.1
Lease liabilities: properties	116.6	124.1
Other payables in relation to Partner payments	74.8	86.7
Miscellaneous	67.3	63.9
Total other payables on the Solvency II Net Assets Balance Sheet	**1,337.5**	1,254.4
Policyholder interests in other payables	842.0	1,344.9
Other (see adjustment 2 on page 30)	19.1	5.2
Total other payables	**2,198.6**	2,604.5
Current	2,018.5	2,405.2
Non-current	180.1	199.3
	2,198.6	2,604.5

Payables in relation to unit liabilities 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.

The contract payment of £95.8 million (2021: £107.1 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.

The Lease liabilities: properties line item represents the present value of future cash flows associated with the Group's portfolio of property leases.

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

Policyholder interests in other payables are short-term in nature and can vary significantly from period to period due to prevailing market conditions and underlying trading activity.

9. 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 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 7.

Senior unsecured corporate borrowings

	31 December 2022	31 December 2021
	£'Million	£'Million
Corporate borrowings: bank loans	-	106.8
Corporate borrowings: loan notes	163.8	163.8
Senior unsecured corporate borrowings	**163.8**	270.6

The primary senior unsecured corporate borrowings are:

- a revolving credit facility, which was renewed during the year. The facility increased from £340 million to £345 million which is repayable at maturity in 2027 with a variable interest rate. At 31 December 2022 the undrawn credit available under this facility was £345 million (2021: £233 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 six-monthly basis. During the course of the year all covenants were complied with.

As at 31 December 2022 and 31 December 2021 the Group had sufficient headroom available under its covenants to fully draw the remaining commitment under its senior unsecured corporate borrowing facilities.

Total borrowings

	31 December 2022	31 December 2021
	£'Million	£'Million
Senior unsecured corporate borrowings	163.8	270.6
Senior tranche of non-recourse securitisation loan notes	-	162.4
Total borrowings	**163.8**	433.0
Current	12.8	-
Non-current	151.0	433.0
	163.8	433.0

During the year the senior tranche of securitisation loan notes were repaid as a result of the sale of a portfolio of Partner business loans, including all of the securitised business loans, to a third party. Prior to the sale, the senior tranche of securitisation loan notes were AAA-rated and repayable over the expected life of the securitisation (estimated to be five years) with a variable interest rate. They were held by third-party investors and secured on a legally segregated portfolio of business loans to Partners, and on the other net assets of the securitisation entity SJP Partner Loans No.1 Limited. Holders of the securitisation loan notes had no recourse to the assets held by any other entity within the Group. For further information on business loans to Partners, including the sale of securitised business loans to Partners during the year, refer to Note 7.

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 were eliminated on consolidation in the preparation of the Group Financial Statements and so do not form part of Group borrowings.

	31 December 2022	31 December 2021
	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	2.1	61.2
Senior tranche of non-recourse securitisation loan notes	-	162.4
Total non-recourse securitisation loan notes	**2.1**	223.6
Backed by		
Securitised business loans to Partners (see Note 7)	-	214.0
Other net assets of SJP Partner Loans No.1 Limited	2.1	9.6
Total net assets held by SJP Partner Loans No.1 Limited	**2.1**	223.6

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.

	Senior unsecured corporate borrowings	**Senior tranche of securitisation loan notes**	**Total borrowings**	Senior unsecured corporate borrowings	Senior tranche of securitisation loan notes	Total borrowings
	2022	**2022**	**2022**	2021	2021	2021
	£'Million	**£'Million**	**£'Million**	£'Million	£'Million	£'Million
Balance at 1 January	270.6	162.4	433.0	226.5	115.3	341.8
Additional borrowing during the year	145.0	59.0	204.0	487.0	89.4	576.4
Repayment of borrowings during the year	(252.0)	(223.3)	(475.3)	(443.4)	(42.7)	(486.1)
Costs on additional borrowings during the year	(1.6)	-	(1.6)	(0.1)	(0.1)	(0.2)
Unwind of borrowing costs (non-cash movement)	0.6	0.5	1.1	0.6	0.5	1.1
Reclassification of prepaid loan facility expense to prepayments	1.2	1.4	2.6	-	-	-
Balance at 31 December	**163.8**	-	**163.8**	270.6	162.4	433.0

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 on 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 2022	31 December 2021	**31 December 2022**	31 December 2021
	£'Million	£'Million	**£'Million**	£'Million
Bank of Scotland	28.7	51.9	70.0	70.0
Investec	28.8	33.1	50.0	50.0
Metro Bank	27.3	37.0	40.0	61.0

Metro Bank	27.5	37.0	40.0	61.0
NatWest	37.9	28.8	75.0	50.0
Santander	167.7	119.9	179.0	169.9
Total loans	**290.4**	270.7	**414.0**	400.9

The fair value of these guarantees has been assessed as £nil (2021: £nil).

10. Cash generated from operations

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Cash flows from operating activities		
Profit before tax for the year	**0.7**	842.4
Adjustments for:		
Amortisation of purchased value of in-force business	3.2	3.2
Amortisation of computer software	9.3	10.6
Change in capitalisation policy	-	5.1
Depreciation	21.7	22.1
Impairment of goodwill	1.5	1.5
Loss on disposal of computer software	0.5	-
Loss on disposal of property and equipment, including leased assets	0.9	2.7
Share-based payment charge	20.5	22.9
Interest income	(61.8)	(19.2)
Interest expense	12.4	10.2
Increase in provisions	1.9	9.8
Exchange rate (gains)/losses	(0.7)	0.1
	9.4	69.0
Changes in operating assets and liabilities		
Decrease in deferred acquisition costs	42.3	44.9
Decrease/(increase) in investment property	274.0	(41.8)
Decrease/(increase) in other investments	2,378.9	(24,358.4)
Increase in investment in associates	-	(1.4)
Decrease in reinsurance assets	16.0	9.9
Increase in other receivables	(298.8)	(326.9)
(Decrease)/increase in insurance contract liabilities	(88.8)	9.7
(Decrease)/increase in financial liabilities (excluding borrowings)	(1,138.3)	17,486.7
Decrease in deferred income	(32.2)	(17.3)
(Decrease)/increase in other payables	(397.7)	574.3
(Decrease)/increase in net assets attributable to unit holders	(1,740.6)	7,449.9
	(985.2)	829.6
Cash (used in)/generated from operations	**(975.1)**	1,741.0

11. Share capital, earnings per share and dividends

Share capital

	Number of ordinary shares	**Called-up share capital**
		£'Million
At 1 January 2021	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**
- Issue of shares	459,028	0.1
- Exercise of options	3,246,200	0.4
At 31 December 2022	**544,235,757**	**81.6**

At 31 December 2022	**544,235,757**	**81.6**

Ordinary shares have a par value of 15 pence per share (2021: 15 pence per share) and are fully paid.

Included in the issued share capital are 2,207,186 (2021: 1,685,250) shares held in the Shares in trust reserve with a nominal value of £0.3 million (2021: £0.3 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 815,737 shares at 31 December 2022 and 285,033 shares at 31 December 2021. No dividends were waived on shares held in the St. James's Place 2010 SIP Trust in 2022 or 2021.

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 2022	Year ended 31 December 2021
	£'Million	£'Million
Earnings		
Profit after tax attributable to equity shareholders (for both basic and diluted EPS)	405.0	286.7
	Million	Million
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	542.7	537.7
Adjustments for outstanding share options	5.1	8.5
Weighted average number of ordinary shares (for diluted EPS)	**547.8**	546.2
	Pence	Pence
Earnings per share (EPS)		
Basic earnings per share	74.6	53.3
Diluted earnings per share	73.9	52.5

Dividends

The following dividends have been paid by the Group:

	Year ended 31 December 2022	Year ended 31 December 2021	**Year ended 31 December 2022**	Year ended 31 December 2021
	Pence per share	Pence per share	**£'Million**	£'Million
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
Final dividend in respect of 2021	40.41	-	218.9	-
Interim dividend in respect of 2022	15.59	-	84.7	-
Total dividends	**56.00**	61.26	**303.6**	329.9

In respect of 2022 the Directors have recommended a 2022 final dividend of 37.19 pence per share. This amounts to £202.4 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 31 May 2023 to those shareholders on the register as at 5 May 2022.

12. 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 losses recognised of £0.7 million (2021: £11.0 million) and the total value of transactions with those non-consolidated unit trusts was £6.5 million (2021: £14.1 million). Net management fees receivable from these unit trusts amounted to £nil (2021: £1.8 million). The value of the investment into the non-consolidated unit trusts at 31 December 2022 was £10.0 million (2021: £4.2 million).

Transactions with associates and non-wholly owned subsidiaries

Outstanding at the year-end was a business loan of £1.2 million (2021: £0.9 million) to an associate of the Group. During the year £0.3 million (2021: £nil) was advanced and £nil (2021: £nil) was repaid. Business loans to associates are interest-bearing (linked to the Bank of England base rate plus a margin) and repayable in line with the terms of the loan contract. Interest of £nil was received during 2022 (2021: £nil).

In addition, commission, advice fees and other payments of £4.3 million were paid, under normal commercial terms, to non-wholly owned Group companies. The outstanding amount receivable at 31 December 2022 was £0.1 million. As at 31 December 2021 there were no entities for which disclosure was required.

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 addition to the disclosure below.

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.

Compensation of key management personnel is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'Million	£'Million
Short-term employee benefits	6.3	6.1
Post-employment benefits	0.5	0.5
Share-based payment	6.5	5.7
Total	**13.3**	12.3

The total value of Group FUM held by related parties of the Group as at 31 December 2022 was £41.1 million (2021: £35.3 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £0.8 million (2021: £0.9 million).

Total consideration of £20.3 million (2021: £nil) was agreed under normal commercial terms to key management personnel and their connected parties for the acquisition of JEWM Ltd (formerly Janine Edwards Wealth Management Limited). As at 31 December 2022 there was deferred contingent consideration outstanding of £3.2 million (2021: £nil).

Commission, advice fees and other payments of £3.2 million (2021: £6.2 million) were paid, under normal commercial terms, to St. James's Place advisers who were related parties by virtue of being connected persons with key management personnel. The outstanding amount payable at 31 December 2022 was £0.1 million (2021: £0.8 million).

Outstanding at the year-end were Partner loans of £nil (2021: £3.3 million) due from St. James's Place advisers who were related parties by virtue of being connected persons with key management personnel. The Group either advanced, or guaranteed, these loans. During the year £0.5 million (2021: £nil) was advanced and £3.0 million (2021: £0.8 million) was repaid by advisers who were related parties. The remaining balance was derecognised as a related party due to changes in key management personnel during the year.

Business loans to Partners are interest-bearing (linked to the Bank of England base rate plus a margin), repayable in line with the terms of the loan contract and secured against the future renewal income streams of the respective Partner. Interest of £0.1 million was received during 2022 (2021: £0.1 million).

At the start of the year, related parties of key management personnel held nil (2021: 28,517) shares and options under various St. James's Place plc share option schemes. During the year nil (2021: nil) shares and options were granted, nil (2021: nil) options lapsed and nil (2021: 28,517) options were exercised.

13. Non-statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 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.

14. Annual Report

The Company's Annual Report and Accounts for the year ended 31 December 2022 is expected to be posted to shareholders by 11 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 this document 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 30.
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	The Cash result is defined as the movement between the opening and	IFRS income statement methodology recognises non-cash items such as	Refer to pages 24, 25 and also see Note 3 to

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
cash result	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 equity-settled share option costs, are excluded. The Underlying cash result reflects the regular emergence of cash from the business, excluding any items of a one-off nature and temporary timing differences. The Cash result reflects all other cash items, including any items of a one-off nature and temporary timing differences. 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.	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.	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.

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
EEV operating profit basic and diluted earnings per share (EPS)	These EPS measures are calculated as EEV operating profit after tax divided by the number of shares used in the calculation of IFRS basic and diluted EPS.	As EEV operating profit is the best reflection of the EEV generated by the business, EEV operating profit EPS measures allow analysis of the long-term value generated by the business by share.	Not applicable.

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Policyholder and shareholder tax	Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to the shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns. This calculation method is consistent with the legislation relating to the calculation of the tax on shareholders' profits.	The UK tax regime facilitates the collection of tax from life insurance policyholders by making an equivalent charge within the corporate tax of the Company. The total tax charge for the insurance companies therefore comprises both this element and an element more closely related to normal corporation tax. Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate. As a result, when policyholder tax increases, the charges also increase. 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.	Disclosed as separate line items in the Statement of Comprehensive Income..
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.

APM	Definition	Why is this measure used?	Reconciliation to the Financial Statements
Underlying profit	A profit measure which reflects the IFRS result adjusted to remove the DAC, DIR and PVIF adjustments.	The IFRS methodology promotes recognition of profits in line with the provision of services and so, for long-term business, some of the initial cash flows are spread over the life of the contract through the use of intangible assets and liabilities (DAC and DIR). Due to the Retail Distribution Review (RDR) regulation change in 2013, there was a step-change in the progression of these items in our accounts, which resulted in significant accounting presentation changes despite the fundamentals of our vertically-integrated business remaining unchanged. We therefore believe it is useful to consider the IFRS result having removed the impact of movements in these intangibles as it better reflects the underlying performance of the business.	Refer to Section 2.1 of the Financial Review.
Controllable expenses	The total of expenses which reflects Establishment, Development and our Academy.	We are focused on containing long-term growth in controllable expenses.	Full detail of the breakdown of expenses is provided in Section 2.2 of the Financial Review.

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**

27 February 2023

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.