

## PRESS RELEASE

28 February 2024

### ROBUST UNDERLYING FINANCIAL PERFORMANCE IMPACTED BY ONE-OFF PROVISION

St. James's Place plc (SJP) today issues its results for the year ended 31 December 2023:

#### Financial Highlights

- Robust underlying financial performance
  - Pre-tax Underlying cash result of £483.0 million (2022: £485.5 million) in line with prior year, reflecting growth in average FUM and management of controllable costs
  - Post-tax Underlying cash result of £392.4 million (2022: £410.1 million) reflects higher corporation tax rate in effect in 2023
- Post-tax Cash result of £68.7 million (2022: £410.1 million) significantly impacted by one-off Ongoing Service Evidence provision
  - Provision of £426.0 million pre-tax (£323.7 million post-tax) established for potential client refunds linked to the historic evidencing and delivery of ongoing servicing
- IFRS loss after tax £(9.9) million (2022: £407.2 million profit)
- EEV net asset value per share £14.11 (2022: £16.66)

#### Shareholder Distributions

- Final dividend of 8.00 pence per share (2022: 37.19 pence per share), resulting in full year dividend of 23.83 pence per share (2022: 52.78 pence per share)
- Change in future dividend guidance:
  - Going forward, total annual shareholder distributions will be set at 50% of the full year Underlying cash result
  - Annual distributions are expected to comprise a fixed full year dividend of 18.00 pence per share declared for each of FY2024, FY2025 and FY2026, with the balance of distributions delivered through share repurchases
  - As earnings trajectory improves during FY2027 and beyond, anticipate capacity to grow dividend proportion of total shareholder distributions
  - Revised approach balances the need to retain investment for growth while recognising the importance of returns to shareholders

#### Other

- Announced, in October 2023, the conclusion of a comprehensive review of our client charging model, and plans for the future of simple and comparable charging at SJP
- Achieved 3% net growth in qualified adviser numbers to 4,834

#### Mark FitzPatrick, Chief Executive Officer, commented:

"It has been a challenging backdrop for UK savers and investors, but it is at times like these that advice really makes a difference, helping people stay on course to meet their long-term financial goals. Against this background, the hard work of everyone in our SJP community to keep delivering for clients has driven a resilient business performance where we've achieved continued strong net inflows underpinned by high client retention, strong investment performance, and record funds under management. With expenses managed tightly in the context of a high inflation environment, our underlying financial performance has been robust and the pre-tax Underlying cash result is broadly unchanged year on year, albeit 4% lower on a post-tax basis due to the higher corporation tax rate in effect for 2023.

The Cash result for the year of £68.7 million (2022: £410.1 million) has been significantly impacted by an assessment into the evidencing and delivery of historic ongoing servicing and the provision we have established for potential client refunds. This work was undertaken following a significant increase in complaints particularly in the latter part of 2023 mostly linked to the delivery of ongoing servicing. The assessment

significant increase in complaints, particularly in the latter part of 2023, closely linked to the delivery of ongoing client servicing. The assessment revealed that our evidence of ongoing client servicing was less complete in the years preceding investment into our Salesforce CRM system in 2021, and we have therefore made a provision for potential client refunds to address this. Looking forward, the investment we've made into Salesforce means we are confident this is a historic issue.

While our financial results have been significantly impacted by this legacy matter, the Board recognises the importance of returns to shareholders and is confident that sufficient capital and liquidity is available to deal with the financial impact of the provision. In light of this, the Board therefore proposes a final dividend of 8.00 pence per share (2022: 37.19 pence per share) to make a total of 23.83 pence per share for the full year (2022: 52.78 pence per share).

A combination of the provision we have established and an expected decrease in the level of profit growth in the next few years as we transition to our new charging structure, reduces our ability to invest for long term growth in our business over the next few years. Accordingly, the Board has decided to revise our approach to shareholder distributions. Going forward, the Board expects that total annual distributions will be set at 50% of the full year Underlying cash result. For the next three years this will comprise 18.00 pence per share in annual dividends declared, with the balance distributed through share repurchases.

Once our new charging structure is fully embedded, we anticipate that the business will be on an improving earnings trajectory during 2027 and beyond. The Board expects that distributing 50% of the Underlying cash result will continue to strike the right balance between investment for growth and returns to shareholders, while seeing shareholder distributions increase over time. The upward trajectory in profits should then provide the Board with options to grow the dividend element within the total return.

Overall, 2023 was a difficult year for SJP but we've faced into our challenges. We've raised our standards around both the delivery and evidencing of ongoing client servicing and we've announced changes across our business, including our charges structure, so that we're in good shape for the future.

In the near-term, we expect the industry outlook to remain challenging given the pressures that clients continue to face. The near-term environment notwithstanding, the longer-term structural opportunity for the financial advice industry is hugely attractive. With scale advantage, a strong Partnership of advisers, and an investment approach that delivers for clients, we are very well placed to capture this opportunity and deliver value for all our stakeholders."

The details of the announcement are attached.

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### **2023 Full Year Results Presentation**

**Date: 28 February 2024**

**Time: 08:30 GMT**

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. 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 8:30am GMT using the details below:

United Kingdom: +44 800 358 1035  
United Kingdom (Local): +44 20 3936 2999  
All other locations: [Global Dial-In Numbers \[netroadshow.com\]](https://www.netroadshow.com)

Participant Access code: 960646

*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 Wednesday 6 March 2024

United Kingdom: 0808 304 5227  
United Kingdom (Local): 020 3936 3001  
All other locations: +44 20 3936 3001  
Access Code: 714172

## **Chair's report**

### **Leading through change**

#### **Overview**

2023 was a challenging year. High rates of inflation and interest rates have characterised both 2022 and 2023, as have global conflict and political instability. Against this background, clients have understandably used their savings and investments to support themselves and their families. However, the resilience evident in the underlying performance of the business, with funds under management reaching record levels in 2023, continues to give us confidence in the strength of our business model. More disappointing has been our share price performance, which reacted to the actions we have taken to modernise our fee structure. We believe these actions on our fees leave us well positioned for growth and aligned with the FCA's Consumer Duty. The system changes we need to make to accommodate a different fee structure will inevitably come at a cost.

We have also experienced a marked increase in clients registering complaints relating to whether they have received ongoing servicing historically. Given this, an initial assessment of client servicing records has been undertaken and the findings from this indicate the need for us to take action to refund clients where ongoing service has not been evidenced. The action we have taken has led to us increasing our provisions for refunds which has impacted our 2023 results. While this is disappointing, we know for the future that our investment in 2021 in our Salesforce customer relationship management system will enable us to monitor service levels to ensure our clients receive the advice and support they expect. The actions we have taken have involved close engagement with our key regulators and, as strong advocates for regulated advice, we remain determined to work with all policymakers and other stakeholders to help drive better financial resilience across society.

We cannot be complacent of our market leading position and we will evolve to continue to meet the needs of our clients. Expectations of clients are rightfully high and where we risk falling short of those expectations we must act.

#### **The Board and governance**

Our continued growth and success over time have owed much to the strength of our Partnership structure and our management's ability to ensure continuity during periods of transition. Culture plays an important part in an organisation's success and was a key consideration in the appointment of Mark FitzPatrick as Chief Executive Officer. Succession planning is an ongoing process and the Board and Group Nomination and Governance Committee have spent considerable time in the last couple of years ensuring that success criteria balanced the importance of continuity with the value that diversity and a fresh perspective could provide.

The robust process identified Mark FitzPatrick as the outstanding candidate and Mark joined the Board on 1 October 2023, succeeding Andrew Croft as Chief Executive Officer on 1 December 2023. Andrew has been with St. James's Place since 1993, serving as its Chief Financial Officer and then Chief Executive Officer since 2018, and on behalf of the Board I would like to thank Andrew for his unwavering commitment to the business. He will be greatly missed by everyone at SJP, and we wish him our very best in his retirement.

As we announced on 9 November 2023, Dominic Burke also stepped down as a Director on 31 January 2024. Dominic contributed much in his short time with us and I wish him all the best in his future ventures. As part of our ongoing succession planning plans to recruit further Non-executive Directors were already underway and we hope to appoint a new Senior Independent Director in the near future.

Further detail on the work of the Group Nomination and Governance Committee can be found in its report in the Annual Report and Accounts.

#### **The Board's priorities and our strategy**

In recent years I have outlined the Board's key areas of focus alongside our strategy to 2025: the Partnership, investment performance, administration and digital. These are all key contributors to good client outcomes and the Board continues to monitor our progress in these areas. Our work on strategy beyond 2025 is also well underway.

While our financial results have been significantly impacted by the increase in the provisions relating to ongoing servicing evidence, the underlying performance of the business remains strong. The Board recognises the importance of returns to shareholders and is confident that sufficient capital and liquidity has been set aside to deal with this legacy matter. In light of this, the Board believes it prudent to recommend a final dividend for 2023 of 8.00 pence per share. Combined with the interim dividend of 15.83 pence per share we declared at the half year, this brings our full-year dividend to 23.83 pence per share.

The Board has also made the decision to revise guidance for future shareholder distributions, believing that this approach strikes an appropriate balance of ensuring the business retains sufficient capacity for investment alongside the importance of returns to shareholders.

## **Our culture and responsibilities**

Culture is a critical enabler for any organisation and what we understand by the term culture continues to change over time. We have committed to being a responsible business, and what it means to be a responsible business is not solely about the actions we take but also about how we respond to threats to our culture and how we foster inclusive behaviour.

Responsibility is also not measured just through our own expectations, but through the eyes of our stakeholders. Our corporate governance report sets out how the Board has listened to our stakeholders and taken account of their views in our decision-making. The Board also recognises that there is a compelling commercial case for being a responsible business and the progress we have made in 2023 is detailed in the Our Responsible Business section of the Annual Report and Accounts. Further information on how our commitment to being a responsible business feeds through to the remuneration of Executives, can be found in the report of the Group Remuneration Committee.

## **Concluding remarks**

I would like to express my thanks to my Board colleagues and management for their support and hard work during a challenging year, and commend employees and in particular our Partner businesses for the strong underlying performance achieved in a challenging year. I have provided a high-level overview of some of the key areas of the Board's activity in 2023, and would encourage you to read the corporate governance report which covers this in more detail. Whilst 2022 and 2023 have presented tough environments for clients, savers and investors in general, the value of advice has never seemed more important. This is reflected in the FCA's recent statement of its aims for forthcoming consumer policy initiatives which highlighted that it wants consumers of all wealth levels to be able to make good investment decisions and invest with confidence, understanding the risks and the protection involved. The Board is confident that SJP can contribute to helping the FCA meet its aims. I look forward to welcoming shareholders to this year's Annual General Meeting, which will be held on 15 May 2024.

**Paul Manduca**, Chair

27 February 2024

# **Chief Executive Officer's report**

## **Setting up for success**

I am delighted to be leading St. James's Place, the largest advice-led wealth manager in the UK, and a business that has a critical role to play in helping secure the futures of our clients and their families.

During my initial weeks and months at the Company, I've met a lot of people from across the St. James's Place community and I've listened carefully, with every conversation bringing new insight. I've been really struck by the importance of what we do for clients and how passionately the whole community cares: supporting clients with trusted financial advice that provides peace of mind and the confidence to benefit from investing over the long term.

This focus has helped us to build a fantastic position within our marketplace over the past three decades, where we now look after £168.2 billion of funds under management for our clients. We've achieved a lot already, but I believe we can still do better for all our stakeholders.

## **Operating and financial performance**

The economic environment in 2023 was undoubtedly challenging. It is at precisely these times that financial advice can really help clients, acting as a steady hand to keep them on track to meet their long-term financial goals. High inflation and high interest rates have put pressure on UK consumers with rising mortgage rates contributing to rising living costs more generally. This impacted some individuals' capacity and confidence to invest. Meanwhile, those with capacity to invest may have been attracted to elevated short-term savings rates over long-term investing.

Against this backdrop, we have attracted £15.4 billion of new client investments and client retention rates have remained high at 95.3%, contributing to net inflows of £5.1 billion; these figures highlight the sheer scale of SJP today and the fundamental resilience of our business model in challenging market conditions. This new business performance, together with strong investment returns, has seen funds under management close the year at a record £168.2 billion, up 13% compared to the beginning of the year.

We have delivered an Underlying cash result of £392.4 million (2022: £410.1 million), which is 4% lower year on year. This result reflects growth in average funds under management during the year and tight cost control in line with guidance, but this robust underlying financial performance was largely offset by an increased UK corporation tax rate.

Our Cash result for the year of £68.7 million (2022: £410.1 million) has been significantly impacted by an assessment we undertook into the evidencing and delivery of historic ongoing servicing and the provision we have now established for any client refunds required. The underlying performance of our business means I'm confident we will emerge from these short-term historic challenges as an even stronger business.

## **Delivering change**

While our business continues to perform well against a difficult backdrop, it's important that we address our challenges and develop our client offering so that we remain in good shape for the future.

## **Managing ongoing servicing complaints**

We saw a marked increase in the number of clients registering complaints linked to the evidencing and delivery of ongoing servicing in the past. We've taken this very seriously and where gaps in record-keeping mean that there is a lack of evidence of the delivery of ongoing servicing, we've

we've taken this very seriously and where gaps in record-keeping mean that there is a lack of evidence of the delivery of ongoing servicing, we've refunded these charges to clients. With the number of complaints accelerating in late 2023, we engaged extensively with the FCA on this matter and the resulting assessment of historic client servicing records. This assessment indicates that we have an improved body of evidence for the delivery of ongoing servicing since we invested in Salesforce in 2021, but that evidence is less complete before then. Based on assumptions derived from this assessment, we have established a provision of £426 million for refunds, impacting our financial results in 2023. We recognise that this is a disappointing outcome for everyone.

We know that our clients really value what we offer them, and we take comfort from outstanding client retention and advocacy, but we must be able to evidence the delivery of ongoing servicing that clients trust and value. Through leveraging the investment we've made in our Salesforce CRM system and our Consumer Duty work, in 2023 we switched off ongoing servicing charges for 2% of clients where there was a lack of evidence that ongoing servicing was provided in this period. Our central CRM capability gives us confidence in our ability to minimise the risks that clients will be charged for services they do not receive.

### **Introducing simple and comparable charging**

Our charging structures have often been interpreted by commentators as being complex and this has brought some challenge for our business. In 2023 we made some significant decisions around our charges, including the announcement in October that we are implementing our programme to simplify our charging structures, which will be completed in the second half of 2025. The changes enhance the value that clients receive and introduce improved comparability that will help market perceptions of our services.

Our current charging structures have also limited the comparability of our investment performance over time, impacting our brand and reputation. Our simplified charging structure will make it much easier to compare investment performance across the industry on a like-for-like basis, enabling us to tell a more accurate story of how we are delivering for clients.

This move to unbundle our charges, which we announced in October, has been designed to ensure sustainability for the long-term. This gives confidence that we can grow the business without the need for further changes to our charges that would impact the guidance we communicated to shareholders last October. The changes we are making will be good for clients, appropriate for our marketplace and built for a Consumer Duty world. By extension, they will be good for our long-term business health by giving us the opportunity to consider new propositions and real agility in how we grow the business.

### **Evolving our investment proposition**

We've got an investment proposition that works well for clients, and it's important that we continue to develop our offer so that we meet client needs as they change over time. In late 2022 we launched our Polaris range of portfolios, supporting clients looking to grow their long-term finances, and I am pleased to report that this range has got off to a very strong start with all four portfolios outperforming their IA and ARC benchmarks since launch. Polaris has also proved incredibly popular with clients, attracting more than £25bn in investments already. We are exploring further developments in our investment approach, including the role of passives in providing greater choice for clients.

Developing our investment proposition is just one example of how we're making changes that ensure we continue to support our clients and the communities in which we operate. Beyond these actions, as the market leader in financial advice we have the opportunity, and indeed responsibility, to promote our business, our brand, and our broader industry. We will build a stronger voice, supported by a new national marketing and media campaign that will launch this spring.

### **Building for the future**

The structural market opportunity for financial advice is clear. The savings gap in the UK is already considerable and it continues to grow because planning for retirement is complicated, as is thinking about investing, managing risk, and considering protection. This is where personal and trusted financial advice can make a real difference.

We're well positioned to seize this market opportunity: we have the largest group of financial advisers in the UK, and we continue to grow it through our market-leading Academy programmes and by recruiting talented financial advisers who are attracted to us because they know we can help them thrive. We accomplish this through scale that gives us real advantage, from helping us curate a distinct investment proposition that works for clients, partner with leading global businesses to underpin our technology and administrative capabilities, and better support the 2,666 businesses that comprise the SJP Partnership. We have a strong and enviable track record of driving growth through an unbroken history of net inflows in every year over three decades.

Our marketplace will evolve as client expectations and preferences change over time, so it's important that we keep looking forward to consider how we are best placed to capture both existing and emerging opportunities over time, and drive sustained growth in the business.

I've therefore commenced a business review, supported by a leading external consultancy, so that we build on everything we've achieved and the changes we're already making. Putting aside the matter of our charges, which has already been dealt with, the review is comprehensive in its scope, with the aim of ensuring we plot a sustained path for growth as market trends evolve, focus on cost and efficiency to drive operating leverage, and manage our resources effectively and efficiently so that we drive improving returns.

This work is underway and we plan to update the market on the outcome of the review at the time of our half-year results.

### **Summary and outlook**

The underlying performance of our business has been robust in what has been a very difficult external environment, highlighting the strength of our advice-led model in attracting and retaining client investments, as well as the resilience of our financial model. 2023 was also a year in which

we faced into some important historic challenges. We are working hard to put these challenges behind us so that we can move forward with confidence as we plot our path to 2030.

In the near-term, we expect the industry outlook to remain challenging in 2024 given the pressures consumers continue to face. The near-term environment notwithstanding, the longer-term structural opportunity for the financial advice industry is hugely attractive. With scale advantage, a strong Partnership of fantastic advisers, and an investment approach that delivers for clients, we are very well placed to capture this opportunity and perform for all our stakeholders.

**Mark FitzPatrick**, Chief Executive Officer

27 February 2024

## Chief Financial Officer's report

### Robust underlying financial results

We are pleased to report a year of robust underlying financial results, despite a continued challenging operating environment.

Our underlying business has performed well, delivering growth in average funds under management (FUM) and therefore fee income. Paired with continued discipline in managing controllable costs in line with guidance, this has enabled us to deliver a pre-tax Underlying cash result that is broadly in line with the prior year, albeit 4% lower on a post-tax basis due to the impact of a higher corporation tax rate in 2023.

In the context of an external environment that has been challenging for our industry, this outcome for 2023 highlights that our underlying business performance is robust, putting us in a good position for a bright future despite the near-term challenges we face.

Our reported financial results for 2023 have been significantly impacted by the Ongoing Service Evidence provision that we have established following the appointment of a skilled person and an assessment undertaken into the evidencing and delivery of historic ongoing servicing. The anticipated cost of refunding ongoing servicing charges, together with the interest, and the administrative costs associated with completing the work, is reflected in our Financial Statements through an Ongoing Service Evidence provision of £426.0 million, which is £323.7 million net of tax within the Cash result.

Our financial results are presented in the Financial Review, but this report provides a summary of financial performance on a statutory International Financial Reporting Standard (IFRS) basis, as well as our chosen alternative performance measures (APMs). We also summarise the progression of our FUM and provide shareholders with an overview of our balance sheet.

### Funds under management

Client capacity and confidence to commit to long-term investment continues to be impacted by the economic environment and the short-term alternative arising from elevated cash deposit rates.

While this has presented a challenging backdrop, our new business performance has remained robust, with our advisers attracting £15.4 billion (2022: £17.0 billion) of new client investments, and client retention rates remaining strong at 95.3% (2022: 96.5%). As a consequence, we continue to generate significant levels of net inflows, once again demonstrating the resilience and strength of our advice-led business model.

The combined impact of ongoing net inflows and strong investment performance during the year has resulted in FUM increasing by 13% to a record £168.2 billion (2022: £148.4 billion). Growth in FUM, and indeed an accelerating balance of gestation FUM maturing in the coming years, provides our business with good visibility over future growth in income and the creation of sustainable value for shareholders over time.

### Financial results

#### IFRS

As is often the case, **IFRS profit before tax** of £439.6 million (2022: £2.8 million) and **IFRS loss before shareholder tax** of £4.5 million (2022: £503.9 million profit) are each heavily distorted by the inclusion of policyholder tax and the associated charges, with further detail included in the Financial Review.

Excluding the short-term impact of items related to policyholder tax, **IFRS profit before shareholder tax** is subject to similar drivers as those described for the Cash result below.

#### 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 **Underlying Cash result** of £392.4 million for 2023 (2022: £410.1 million) is 4% lower than the prior year. Excluding the impact of an increased rate of corporation tax, the Underlying cash result is broadly unchanged, representing a robust result in a challenging market environment. The **Cash result** of £68.7 million for 2023 (2022: £410.1 million) has been significantly impacted by the Ongoing Service Evidence provision that we have established. More detail is set out below and in the financial review.

During the year, the **Net income from funds under management** was £599.2 million (2022: £607.7 million), comprising an increase of 4% on a pre-tax basis, together with the impact of a higher rate of corporation tax. This outcome reflects an increase in average mature FUM, including a contribution of over £40 million from gestation balances that matured during the period.

For the first half of 2023, our margin range for net income was 0.59% to 0.61%, reducing by 0.04% from August 2023 to a range from 0.55% to 0.57%, reflecting the introduction of a charge cap applicable to bond and pension investments with a duration longer than ten years. Looking forward, 2024 will see the corporation tax rate of 25% being applicable for the whole year, with the effect being to further reduce our margin range by 0.01%, resulting in a range from 0.54% to 0.56%.

This margin range is applicable to 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.

Under our current charging structure, new life and pensions business does not contribute annual product management charges for the first six years after the business is written. This means that the Group has six years' worth of FUM in the gestation period that does not materially contribute to the Cash result. At 31 December 2023, the balance of gestation FUM stood at £47.6 billion (2022: £45.5 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 in 2024 and new charging structure in 2025) contribute in excess of a further £270 million to annual net income from FUM 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 2023 largely reflects the decrease in gross flows over the year, 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.

**Controllable expenses** are a key metric for the business and despite the persistence of high inflation we contained the annual growth of controllable expenses in 2023 to 2% on a post-tax basis (2022: 5%), in line with the guidance we set out early in the year. We are currently budgeting to contain growth in controllable expenses for 2024 to 3% post-tax, or 5% pre-tax.

Growth in income, coupled with this management of controllable expenses, has enabled us to deliver a resilient underlying financial performance despite significant short-term challenges.

In addition to these key components of the Cash result, we have seen an increase in **Shareholder interest**, which represents the interest earned on shareholder working capital and business loans to Partners. We have also seen a short-term reduction in the **FSCS levy** as a result of a prior year surplus that had built up within the FSCS scheme. Partially offsetting these effects is a reduced benefit from **Tax relief from capital losses** as we utilised our remaining historic balances, with the result being that this line will no longer feature in the Cash result going forward.

Reported as a **Miscellaneous** cost, we have seen a significant increase in client complaints over the last 12 months as a result of the activity of claims management firms.

### European Embedded Value

We supplement our IFRS and Cash results with additional disclosure on a European Embedded Value (EEV) basis, providing a measure of the total value that might be expected to arise over the lifetime of the existing business, though without making any allowance for new business that may be written in the future.

The EEV result has been significantly impacted by the changes to our charging structure that we announced during the year. As a result of these changes, the contribution to EEV operating profit from new business written in the year has reduced. It has also been necessary to remeasure the future cash flows expected to arise from our existing business, with the impact reflected in an exceptional item of £2,506.6 million.

The **EEV operating profit before exceptional items** for the year is £1,041.0 million (2022: £1,589.7 million), reflecting a lower contribution from new business, which is impacted by reduced inflows and the effects of changes to our charging structure, as well as the significant benefit of persistency assumption changes in 2022.

The **EEV operating loss after exceptional items** for the year is £1,891.6 million (2022: £1,589.7 million profit), reflecting the exceptional items of £2,932.6 million arising from changes to our charging structure during the year, as well as the impact of the Ongoing Service Evidence provision that we have established.

The **EEV loss before tax** for the year of £1,387.4 million (2022: £510.8 million profit) has benefitted from a positive investment return variance of £501.7 million (2022: negative £1,314.0 million). The positive return reflects increased market values across our FUM that exceeded our long-term assumptions, and this compares to a significant negative impact from market returns in 2022.

The **EEV net asset value per share** was £14.11 at 31 December 2023 (2022: £16.66).

### Charge Structure

During the year we made some important changes related to our charges, ensuring both compliance with an evolving regulatory environment, and the creation of a sustainable charging platform that will see the business thrive over the long-term.

In July, we announced the introduction of a fee cap on long term bond and pension investments which came into effect in August 2023. Later in the year, we announced the conclusion of a comprehensive review of our client charging structure, resulting in simplifying charging from the middle of 2025 that will improve comparability across the marketplace and enable a clearer articulation of the value that we provide to clients across all elements of our proposition.

The effect of these changes will be to reduce the net income margin range by 0.11% to a range between 0.43% and 0.45% though this will be

The effect of these changes will be to reduce the net income margin range by 0.11% to a range between 0.43% and 0.49%, though this will be applicable to all FUM once the existing gestation FUM has matured, with no further concept of gestation. There will also no longer be a material contribution from margin arising on new business.

These changes will impact the shape of our financial results over time and will require investment in systems and processes in order to deliver. However, they will result in long-term simplicity and comparability, which can only strengthen our proposition, our brand and our reputation. They also give us confidence that we can grow the business without the need for further changes to our charges that would impact the guidance set out above.

### Financial position

Our prudent approach to managing our balance sheet has ensured that we have more than sufficient funding capacity to cover the financial implications of setting up the Ongoing Service Evidence provision. We are confident that the provision we have set up is sufficient. We have, however, arranged access to an additional £250 million of credit which we do not anticipate utilising, but which provides for additional funding certainty.

### Solvency and capital

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. Given the simplicity of our business model, our preferred approach to considering solvency remains to hold assets to match client unit-linked liabilities and allow for a management solvency buffer (MSB).

At 31 December 2023 we held surplus assets over the MSB of £603.5 million (2022: £847.2 million), reducing as a result of the Ongoing Service Evidence provision that we have established.

We also ensure that our approach meets the requirements of the Solvency II regime. Our UK life company, the largest Solvency II entity in the Group, has increased its target capital from 110% to 130% of the standard formula, reflecting the change in its financial model as a result of the charging structure changes we have announced. This has been discussed with its regulator, the PRA.

At 31 December 2023, the solvency ratio for our life companies after payment of a year-end intra-Group dividend was 162% (2022: 130%), reflecting the impact of the change in charging structures, and the Solvency II reform changes to the risk margin.

### Dividends

While our financial results have been significantly impacted by the Ongoing Service Evidence provision, the Board recognises the importance of returns to shareholders and is confident that sufficient capital and liquidity is available to deal with this legacy matter. In light of this, the Board therefore proposes a final dividend of 8.00 pence per share (2022: 37.19 pence per share) to make a total dividend of 23.83 pence per share for the full year (2022: 52.78 pence per share).

A combination of the provision we have established and an expected decrease in the level of profit growth in the next few years as we transition to our new charging structure, reduces our ability to invest for long term growth in our business over the next few years. Accordingly, the Board has decided to revise our approach to shareholder distributions. Going forward, the Board expects that total annual distributions will be set at 50% of the full year Underlying cash result. For the next three years this will comprise 18.00 pence per share in annual dividends declared with the balance distributed through share repurchases.

Once our new charging structure is fully embedded, we anticipate that the business will be on an improving earnings trajectory during 2027 and beyond. The Board expects that distributing 50% of the Underlying cash result will continue to strike the right balance between investment for growth and returns to shareholders, while seeing shareholder distributions increase over time. The upward trajectory in profits should then provide the Board with options to grow the dividend element within the total return.

**Craig Gentle**, Chief Financial Officer

27 February 2024

### Summary financial information

	Year ended 31 December 2023	Year ended 31 December 2022 <sup>1</sup>
<b>FUM-based metrics</b>		
Gross inflows (£Billion)	15.4	17.0
Net inflows (£Billion)	5.1	9.8
Total FUM (£Billion)	168.2	148.4
Total FUM in gestation (£Billion)	47.6	45.5
<b>IFRS-based metrics</b>		
IFRS (loss)/profit after tax (£Million)	(9.9)	407.2
IFRS (loss)/profit before shareholder tax (£Million)	(4.5)	503.9
Underlying (loss)/profit before shareholder tax (£Million)	(8.0)	516.9



IFRS basic earnings per share (EPS) (Pence)	(1.8)	75.0
IFRS diluted EPS (Pence)	(1.8)	74.3
IFRS net asset value per share (Pence)	179.3	233.7
Dividend per share (Pence)	23.83	52.78
<b>Cash result-based metrics</b>		
Controllable expenses (£Million)	283.3	277.9
Underlying cash result (£Million)	392.4	410.1
Cash result (£Million)	68.7	410.1
Underlying cash result basic EPS (Pence)	71.7	75.6
Underlying cash result diluted EPS (Pence)	70.5	74.9
<b>EEV-based metrics</b>		
EEV operating (loss)/profit before tax (£Million)	(1,891.6)	1,589.7
EEV operating (loss)/profit after tax basic EPS (Pence)	(260.6)	218.8
EEV operating (loss)/profit after tax diluted EPS (Pence)	(256.5)	216.8
EEV net asset value per share (£)	14.11	16.66
<b>Solvency-based metrics</b>		
Solvency II net assets (£Million)	1,133.0	1,379.9
Management solvency buffer (£Million)	529.5	532.7
Solvency II free assets (£Million)	1,572.1	1,921.4
Solvency ratio (Percentage)	191%	155%

1 Restated to reflect the adoption of IFRS 17. See Note [1a].

A complete glossary of APMs is below.

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.

It 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.

### 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.

### Section 3

#### Solvency

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

#### 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](http://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.

The primary source of the Group's profit is the income we receive from annual product management charges on FUM. However, under our current charging structure, 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. This means that the Group has six years' worth of FUM in the 'gestation' period that is not generating annual product management charges, but will 'mature' over a six-year period and begin to contribute annual product management charges.

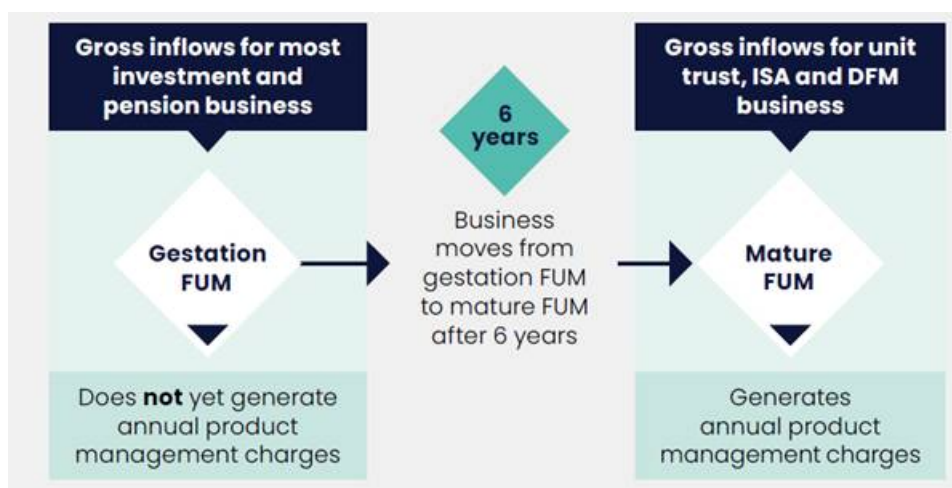
We will be simplifying our charging structure from the middle of 2025 and new business will no longer enter a gestation period, but in the meantime, gestation FUM represents a significant store of shareholder value.

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). 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.

### Gross inflows into FUM



## 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 2023 and 2022. Investment return is presented net of all charges.

	2023			2022	
	Investment £'Billion	Pension £'Billion	UT/ISA and DFM £'Billion	Total £'Billion	Total £'Billion
Opening FUM	33.29	73.86	41.22	148.37	153.99

Gross inflows	2.09	9.77	3.53	15.39	17.03
Net investment return	2.89	8.23	3.59	14.71	(15.40)
Regular income withdrawals and maturities	(0.36)	(2.41)	-	(2.77)	(2.01)
Surrenders and part-surrenders	(1.92)	(2.13)	(3.45)	(7.50)	(5.24)
<b>Closing FUM</b>	<b>35.99</b>	<b>87.32</b>	<b>44.89</b>	<b>168.20</b>	148.37
<b>Net inflows</b>	<b>(0.19)</b>	<b>5.23</b>	<b>0.08</b>	<b>5.12</b>	9.78
<b>Implied surrender rate as a percentage of average FUM</b>	<b>5.5%</b>	<b>2.6%</b>	<b>8.0%</b>	<b>4.7%</b>	3.5%

Included in the table above is:

- Rowan Dartington Group FUM of £3.43 billion at 31 December 2023 (31 December 2022: £3.29 billion), gross inflows of £0.36 billion for the year (2022: £0.44 billion) and outflows of £0.18 billion (2022: £0.14 billion); and
- SJP Asia FUM of £1.72 billion at 31 December 2023 (31 December 2022: £1.52 billion), gross inflows of £0.21 billion for the year (2022: £0.28 billion) and outflows of £0.15 billion (2022: £0.10 billion).

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

Year	FUM as at	Net inflows	Investment return	FUM as at
	1 January			31 December
	£'Billion	£'Billion	£'Billion	£'Billion
<b>2023</b>	<b>148.4</b>	<b>5.1</b>	<b>14.7</b>	<b>168.2</b>
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

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

	31 December 2023		31 December 2022	
	£'Billion	Percentage of total	£'Billion	Percentage of total
North American equities	57.4	34%	49.1	33%
Fixed income securities	27.1	16%	23.1	16%
European equities	23.6	14%	19.3	13%
Asia and Pacific equities	20.5	12%	17.8	12%
UK equities	16.0	10%	16.0	11%
Alternative investments	10.5	6%	12.4	8%
Cash	7.2	4%	5.7	4%
Other	4.1	3%	2.8	2%
Property	1.8	1%	2.2	1%
<b>Total</b>	<b>168.2</b>	<b>100%</b>	<b>148.4</b>	<b>100%</b>

## 1.2 Gestation

As explained in our financial business model, due to our current product structure, 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 2023, after initial charges, moved into gestation FUM (2022: 54%).

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.

Gestation FUM that

Position as at	Mature FUM contributing to the Cash result	will contribute to the Cash result in the future	Total FUM
	£Billion	£Billion	£Billion
<b>31 December 2023</b>	<b>120.6</b>	<b>47.6</b>	<b>168.2</b>
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

During the year, we announced the outcome of an internal review which will see us simplify our charging structure from the second half of 2025, following a period of investment in the required systems and processes. Under the revised charging structure, new business will no longer enter a period of gestation and the existing gestation business at the point of implementation will gradually mature, after which there will be no further concept of gestation FUM. In the meantime, gestation FUM continues to be a material store of shareholder value that will make a significant contribution to the Cash result in the future.

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 £47.6 billion at 31 December 2023 may start to contribute to the Cash result over the next six years and beyond, allowing for the changes to our charging structure in 2025 and the applicable rate of corporation tax in each year. 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 maturity profile	Gestation FUM contribution to the Cash result future
	£Billion	£Million
2024	7.0	58.0
2025	14.3	100.0
2026	21.9	124.9
2027	30.4	173.5
2028	39.4	224.8
2029 onwards	47.6	271.7

## 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 £167.8 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 2023.

To address this, we developed alternative performance measures (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 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 APMs is set out below, 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)

On 1 January 2023, the Group adopted IFRS 17 Insurance Contracts, with comparatives restated from 1 January 2022. The adoption of IFRS 17 resulted in an increased IFRS profit after tax of £1.8 million for the year ended 31 December 2022. For further explanation, refer to Note 1a.

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 2023 we deducted £444.1 million from clients due to investment market gains which flowed through our IFRS profit before tax as income, whereas 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. 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 2023 it was £439.6 million, compared to £2.8 million for the year ended 31 December 2022.

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.

	Year ended 31 December 2023	Year ended 31 December 2022 <sup>1</sup>
	£'Million	£'Million
<b>IFRS profit before tax</b>	<b>439.6</b>	2.8
Policyholder tax	<b>(444.1)</b>	501.1
<b>IFRS (loss)/profit before shareholder tax</b>	<b>(4.5)</b>	503.9
Shareholder tax	<b>(5.4)</b>	(96.7)
<b>IFRS (loss)/profit after tax</b>	<b>(9.9)</b>	407.2

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

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 decreases 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 throughout this Annual Report and Accounts as the impact of policyholder tax asymmetry.

Under normal conditions this asymmetry is small, but market volatility can result in significant balances. Market gains combined with higher interest rates in the year to 31 December 2023 have resulted in a negative policyholder tax asymmetry impact of £44.4 million, whereas market falls in the year to 31 December 2022 resulted in a positive movement of £50.6 million. This leads to a £95.0 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 further.

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 upfront 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 2023	Year ended 31 December 2022 <sup>1</sup>
	£'Million	£'Million
<b>IFRS (loss)/profit before shareholder tax</b>	<b>(4.5)</b>	503.9
Remove the impact of movements in DAC/DIR/PVIF	(3.5)	13.0
<b>Underlying (loss)/profit before shareholder tax</b>	<b>(8.0)</b>	516.9

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

The impact of movements in DAC, DIR and PVIF on IFRS profit before shareholder tax is further analysed as follows. Due to policyholder tax on DIR, the amortisation of DIR during the year and DIR on new business for the year set out below cannot be agreed to the figures provided in Note 11 in the Annual Report and Accounts, which are presented before both policyholder and shareholder tax.

	Year ended 31 December 2023	Year ended 31 December 2022 <sup>1</sup>
	£'Million	£'Million
Amortisation of DAC	(72.2)	(79.6)
DAC on new business for the year	39.9	37.3
<b>Net impact of DAC</b>	<b>(32.3)</b>	(42.3)
Amortisation of DIR	149.3	166.2
DIR on new business for the year	(110.3)	(133.7)
<b>Net impact of DIR</b>	<b>39.0</b>	32.5
<b>Amortisation of PVIF</b>	<b>(3.2)</b>	(3.2)
<b>Movement in year</b>	<b>3.5</b>	(13.0)

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

### Net impact of DAC

The scale of the £32.3 million negative overall impact of DAC on the IFRS result (2022: negative £42.3 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 few 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 2023 is lower than it was in 2022. Income released from the deferred income liability has reduced as balances arising from the reassessment of investment contract liabilities in 2016 were fully amortised by the end of 2022. Together, these effects mean that DIR has had a positive £39.0 million impact on the IFRS result in 2023 (2022: £32.5 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 APMs. 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 2023	Year ended 31 December 2022 <sup>1</sup>
	Before shareholder	Before shareholder

	tax	After tax	shareholder tax	After tax
	£'Million	£'Million	£'Million	£'Million
<b>Underlying (loss)/profit</b>	<b>(8.0)</b>	<b>(13.0)</b>	516.9	416.5
Equity-settled share-based payments	5.4	5.4	20.5	20.5
Impact of deferred tax	-	24.9	-	30.5
Impact of policyholder tax asymmetry	44.4	44.4	(50.6)	(50.6)
Other	15.2	7.0	(1.3)	(6.8)
<b>Cash result</b>	<b>57.0</b>	<b>68.7</b>	485.5	410.1

1 Restated to reflect the adoption of IFRS 17. See Note 1a.

**Equity-settled share-based payments** have reduced compared to 2022, reflecting a lower average share price, partially offset by an increase in the number of shares and share options granted during the year.

The **impact of deferred tax** is the recognition in the Cash result of the benefit from realising tax relief on various items including capital losses, share options, capital allowances and deferred expenses. These have already been recognised under IFRS, and hence Underlying profit, through the establishment of deferred tax assets. Two notable points in the year, are the need for life companies to spread acquisition expenses equally across 7 years is removed with immediate allowance for tax relief instead, and that recognition has been allowed for the deferred tax relief arising from the establishment of the exceptional Ongoing Service Evidence provision. 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.

**Other** represents a number of other small items, including the removal of other intangibles and 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)

	Note	Year ended 31 December 2023			Year ended 31 December 2022
		In-force	New business	Total	Total
		£'Million	£'Million	£'Million	£'Million
Net annual management fee	1	942.6	58.2	1,000.8	1,020.6
Reduction in fees in gestation period	1	(401.6)	-	(401.6)	(412.9)
<b>Net income from FUM</b>	1	<b>541.0</b>	<b>58.2</b>	<b>599.2</b>	607.7
Margin arising from new business	2	-	104.5	104.5	122.4
Controllable expenses	3	(20.6)	(262.7)	(283.3)	(277.9)
Asia - net investment	4	-	(19.4)	(19.4)	(11.3)
DFM - net investment	4	-	(6.4)	(6.4)	(10.9)
Regulatory fees and FSCS levy	5	(2.3)	(20.8)	(23.1)	(40.0)
Shareholder interest	6	61.8	-	61.8	15.9
Tax relief from capital losses	7	2.1	-	2.1	20.7
Charge structure implementation costs	8	-	(7.2)	(7.2)	-
Miscellaneous	9	(35.8)	-	(35.8)	(16.5)
<b>Underlying cash result</b>		<b>546.2</b>	<b>(153.8)</b>	<b>392.4</b>	410.1
Ongoing Service Evidence provision	10	(323.7)	-	(323.7)	-
<b>Cash result</b>		<b>222.5</b>	<b>(153.8)</b>	<b>68.7</b>	410.1

The Cash result comprises the emergence of cash from in-force business of £222.5 million (2022: £544.3 million) and an investment in new business of £153.8 million (2022: £134.2 million)

#### 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, advice fees paid to Partners, investment management fees paid to external fund managers and the policy servicing tariff paid to our third-party administration provider. Each product has standard fees, but they vary between products. Overall post-tax margin on FUM reflects

business mix but also the different tax treatments, particularly life insurance tax on onshore investment business.

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 2023, our net income from FUM is consistent with the weighted average of our margin range throughout the year. The margin range for the first half of the year was year 0.59% to 0.61%, reducing by 0.04% from August 2023 to a range from 0.55% to 0.57%, reflecting the introduction of a charge cap applicable to client bonds and pension investments with a duration longer than ten years.

There will be another, more modest impact in 2024 when the tax rate will be 25% for the full year, with the effect of this being to further reduce our margin range by 0.01%, resulting in a range from 0.54% to 0.56%. Following the simplification of our charging structure from the middle of 2025, the range will reduce by a further 0.11%, resulting in a range from 0.43% to 0.45%, though this will be applicable to all FUM once the existing gestation FUM has matured.

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 2023	Year ended 31 December 2022
	£'Million	£'Million
Establishment expenses	206.2	198.9
Development expenses	65.3	67.4
Academy	11.8	11.6
<b>Controllable expenses</b>	<b>283.3</b>	<b>277.9</b>

**Controllable expenses** are those expenses which do not vary with business volumes, including establishment expenses, development expenses and the costs associated with running our Academy. Growth in controlled expenses has been contained to 8% on a pre-tax basis, with the increase driven by the high inflation environment. This is equivalent to a 2% increase on a post-tax basis as presented in the Cash result, reflecting an increase in the rate of corporation tax.

We anticipate returning to our target of 5% annual growth in pre-tax controllable expenses in 2024, balancing disciplined expense management with the need to invest in the business for the future.

**Establishment expenses** in 2023 increased by 4% on a net-of-tax basis to £206.2 million (2022: £198.9 million), as inflation driven increases were partially offset by an increased level of tax relief. These costs predominantly relate to people, property and technology and hence are relatively fixed in nature.

**Development expenses** were £65.3 million (2022: £67.4 million). Our investment in technology, alongside our commitment to making it easier to do business, is the driver behind our development expenditure. We continue to improve our technology infrastructure and data quality, and to invest in Salesforce.

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.

## 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 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. The increased investment in Asia includes the cost of restructuring during the year, as well as the cost of setting up a new office in Dubai. While both Asia and Rowan Dartington have been impacted by the challenging market conditions in 2023, they remain well positioned 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 2023	Year ended 31 December 2022
	£'Million	£'Million
FSCS levy	10.0	27.3
Regulatory fees	13.1	12.7
<b>Regulatory fees and FSCS levy</b>	<b>23.1</b>	<b>40.0</b>

Our position as a market-leading provider of advice means we make a substantial contribution to supporting the FSCS, thereby providing protection for clients of other businesses in the sector that fail. The FSCS levy has fallen substantially in 2023, reflecting the short-term utilisation of scheme surpluses that had built up in prior years. The levy is anticipated to increase again in 2024.

#### 6. Shareholder interest

This is the income accruing on 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 was previously 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 £2.1 million tax value (2022: £20.7 million) reflects the utilisation in full of the remaining stock of capital losses. Due to the exhaustion of the balance, this will not feature in the Cash result in the future.

#### 8. Charge structure implementation costs

We announced in October 2023 that we would be simplifying our charging structure and disaggregating our charges into their component parts, supporting clients by making it easier to compare charges for advice, investment management and other services, on a component-by-component basis.

We have commenced a broad and complex programme to accommodate these changes, investing £140-160 million over a two-year period to develop our systems and processes to support the new charging structure to be implemented in the second half of 2025.

#### 9. Miscellaneous

This category represents the net cash flow of the business not covered in any of the other categories. Miscellaneous has increased in 2023, reflecting an increase in remediation costs as a result of elevated complaints experience.

#### 10. Ongoing Service Evidence provision

The Ongoing Service Evidence provision has been established following the appointment of a skilled person and an assessment undertaken into the evidencing and delivery of historic ongoing servicing. The anticipated cost of refunding ongoing servicing charges, together with the interest, and the administrative costs associated with completing the work, is reflected in our Financial Statements through an Ongoing Service Evidence provision of £426.0 million, which is £323.7 million net of tax (and a deferred tax balance) within the Cash result.

#### 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, 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 2023			Year ended 31 December 2022		
	Before tax	Tax rate	After tax	Before tax	Tax rate	After tax
	£'Million	Percentage	£'Million	£'Million	Percentage	£'Million
<b>Controllable expenses</b>						
Establishment expenses	269.6	23.5%	206.2	245.5	19.0%	198.9
Development expenses	85.4	23.5%	65.3	83.2	19.0%	67.4
Academy	15.4	23.5%	11.8	14.3	19.0%	11.6
<b>Total controllable expenses</b>	<b>370.4</b>		<b>283.3</b>	<b>343.0</b>		<b>277.9</b>
<b>Other costs presented separately on the face of the Cash result</b>						
Regulatory fees and FSCS levy	30.2	23.5%	23.1	49.4	19.0%	40.0
Charge structure implementation costs	9.4	23.5%	7.2	-	-	-
<b>Total expenses presented separately on the face of the Cash result</b>	<b>410.0</b>		<b>313.6</b>	<b>392.4</b>		<b>317.9</b>

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

	Year ended 31 December 2023	Year ended 31 December 2022 <sup>1,2</sup>
	£'Million	£'Million
<b>Total expenses presented separately on the face of the Cash result before tax</b>	<b>410.0</b>	<b>392.4</b>
Expenses which vary with business volumes		
Other performance costs	147.4	160.4
Payments to Partners	1,013.2	1,011.8
Investment expenses	96.9	85.7
Third-party administration	151.8	135.0
Other	513.3	44.5
Expenses relating to investment in specific areas of the business		
Asia expenses	26.5	20.9
DFM expenses	33.3	35.7
<b>Total expenses included in the Cash result</b>	<b>2,392.4</b>	<b>1,886.4</b>
Reconciling items to IFRS expenses		
Amortisation of DAC and PVIF, net of additions	35.5	45.5
Equity-settled share-based payment expenses	5.4	20.5
Insurance contract expenses presented elsewhere	2.4	(4.5)
Other	(2.4)	1.3
<b>Total IFRS Group expenses before tax</b>	<b>2,433.3</b>	<b>1,949.2</b>

1 Restated to reflect the adoption of IFRS 17. See Note 1a.

2 Restated to reclassify other finance income. See Note 1a.

#### Expenses which vary with business volumes

Other performance costs 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.

Other expenses includes the provision that we have established following a review into the evidencing of historic ongoing servicing, as well as the operating costs of acquired financial adviser businesses, donations to the St. James's Place Charitable Foundation and complaint costs. They are recognised across various lines in the Cash result.

#### 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. The increased investment in Asia includes the cost of restructuring during the year.

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.

#### Reconciling items to IFRS expenses

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.

Expenses associated with insurance contract expenses are included in the Cash result but are shown within the Insurance services revenue rather

expenses associated with insurance contract expenses are included in the Cash result but are shown within the insurance service expense rather than the expenses line under IFRS 17.

### 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 2023.

31 December 2023	Note	IFRS Balance Sheet	Adjustment 1	Adjustment 2	Solvency II Net Assets Balance Sheet	Solvency II Net Assets Balance Sheet: 2022 <sup>1</sup>
		£'Million	£'Million	£'Million	£'Million	£'Million
<b>Assets</b>						
Goodwill		33.6	-	(33.6)	-	-
Deferred acquisition costs		304.4	-	(304.4)	-	-
Purchased value of in-force business		8.0	-	(8.0)	-	-
Computer software		28.0	-	(28.0)	-	-
Property and equipment	1	153.1	-	-	153.1	145.7
Deferred tax assets <sup>1</sup>	2	36.5	-	(16.1)	20.4	2.5
Investment in associates		10.2	-	-	10.2	1.4
Reinsurance assets <sup>1</sup>		13.0	-	(6.3)	6.7	5.6
Other receivables <sup>1</sup>	3	2,997.4	(846.9)	(3.2)	2,147.3	1,369.2
Income tax assets	7	-	-	-	-	35.0
Investment property		1,110.3	(1,110.3)	-	-	-
Equities		116,761.5	(116,761.5)	-	-	-
Fixed income securities	4	27,244.7	(27,236.5)	-	8.2	7.9
Investment in Collective Investment Schemes	4	13,967.5	(12,513.1)	-	1,454.4	1,271.7
Derivative financial instruments		3,420.6	(3,420.6)	-	-	-
Cash and cash equivalents	4	6,204.3	(5,918.9)	-	285.4	253.3
<b>Total assets</b>		<b>172,293.1</b>	<b>(167,807.8)</b>	<b>(399.6)</b>	<b>4,085.7</b>	<b>3,092.3</b>
<b>Liabilities</b>						
Borrowings	5	251.4	-	-	251.4	163.8
Deferred tax liabilities	2	411.7	-	2.8	414.5	165.1
Insurance contract liabilities <sup>1</sup>		496.0	(435.2)	(42.6)	18.2	17.9
Deferred income		491.5	-	(491.5)	-	-
Other provisions	6	500.1	-	-	500.1	46.0
Other payables <sup>1</sup>	1,3	2,388.1	(613.3)	(17.8)	1,757.0	1,319.6
Investment contract benefits		123,149.8	(123,149.8)	-	-	-
Derivative financial instruments		3,073.0	(3,073.0)	-	-	-
Net asset value attributable to unit holders		40,536.5	(40,536.5)	-	-	-
Income tax liabilities	7	11.5	-	-	11.5	-
<b>Total liabilities</b>		<b>171,309.6</b>	<b>(167,807.8)</b>	<b>(549.1)</b>	<b>2,952.7</b>	<b>1,712.4</b>
<b>Net assets</b>		<b>983.5</b>	<b>-</b>	<b>149.5</b>	<b>1,133.0</b>	<b>1,379.9</b>

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

**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

The property and equipment balance includes the right to use leased assets of £118.5 million (2022: £114.4 million), together with fixtures, fittings and office equipment of £32.1 million (2022: £28.6 million) and computer equipment of £2.5 million (2022: £2.7 million).

The right to use leased assets has increased year on year as a result of taking on a lease for the new London Paddington office, partially offset as the leased assets are depreciated. Lease liabilities of £120.5 million are recognised within the other payables line (2022: £116.6 million).

##### 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

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 increased from £1,369.2 million at 31 December 2022 to £2,147.3 million at 31 December 2023, principally reflecting an increase in short-term outstanding market trade settlements in the unit-linked funds and consolidated unit trusts.

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 capitalised Bluedoor development costs as a prepayment asset on the IFRS Statement of Financial Position.

The asset, which stood at £283.5 million at 31 December 2023 (31 December 2022: £278.3 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 2023 is 10 years.

A project to migrate our offshore business onto Bluedoor is in progress, with £29.9 million added to the total operational readiness prepayment asset during 2023 that will begin to amortise from 2024.

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

	2023	2022
	£'Million	£'Million
<b>Cost</b>		
At 1 January	420.2	413.5
Additions during the year	29.9	6.7
<b>At 31 December</b>	<b>450.1</b>	<b>420.2</b>
<b>Accumulated amortisation</b>		
At 1 January	(141.9)	(117.2)
Amortisation during the year	(24.7)	(24.7)
<b>At 31 December</b>	<b>(166.6)</b>	<b>(141.9)</b>
<b>Net book value</b>	<b>283.5</b>	<b>278.3</b>

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

#### 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 5 bps 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 2023	31 December 2022
Aggregate LTV across the total Partner lending book	29%	32%
Proportion of the book where LTV is over 75%	5%	10%
Net exposure to loans where LTV is over 100% (£'Million)	6.7	7.1

If FUM were to decrease by 10%, the net exposure to loans where LTV is over 100% at 31 December 2023 would increase to £7.7 million (31 December 2022: increase to £8.3 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. Following the sale, in the second half of 2022, of a portfolio of securitised business loans to Partners, the balance was negligible at 31 December 2022. Since then, we have continued to make use of the

securitisation vehicle to support the advance of further loans to Partners.

	31 December 2023	31 December 2022
	£'Million	£'Million
<b>Total business loans to Partners</b>	<b>408.0</b>	315.6
Split by funding type:		
Business loans to Partners directly funded by the Group	340.8	315.6
Securitised business loans to Partners	67.2	-

#### 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 2023	31 December 2022
	£'Million	£'Million
Fixed interest securities	8.2	7.9
Investment in Collective Investment Schemes (AAA-rated money market funds)	1,454.4	1,271.7
Cash and cash equivalents	285.4	253.3
<b>Total liquid assets</b>	<b>1,748.0</b>	1,532.9

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 FUM that is contributing to the Cash result 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.

#### 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 above. For accounting purposes we are obliged to disclose on our Consolidated Statement of Financial Position the value of loan notes relating to the securitisation. 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, is very different from the Group's senior unsecured corporate borrowings, which are used to manage working capital and fund investment in the business.

Further information is provided in Note 10 Borrowings and financial commitments within the IFRS Financial Statements.

	31 December 2023	31 December 2022
	£'Million	£'Million
Corporate borrowings: bank loans	50.0	-
Corporate borrowings: loan notes	151.1	163.8
<b>Senior unsecured corporate borrowings</b>	<b>201.1</b>	163.8
Senior tranche of non-recourse securitisation loan notes	50.3	-
<b>Total borrowings</b>	<b>251.4</b>	163.8

During the year our revolving credit facility, one of our primary senior unsecured corporate borrowings facilities, was renewed. The credit available under this facility is £345 million, which is repayable at maturity in 2028.

#### 6. Other provisions

Further information on other provisions, including how the balance has moved year on year, is set out in Note 9 Other provisions and contingent liabilities within the IFRS Financial Statements.

Provisions have increased from £46.0 million at 31 December 2022 to £500.1 million at 31 December 2023, driven by a £426.0 million Ongoing Service Evidence provision that we have established following a review into the evidencing and delivery of historic ongoing servicing.

#### 7. Income tax liabilities

The Group has an income tax liability of £11.5 million at 31 December 2023 compared to an asset of £35.0 million at 31 December 2022. This is due to a current tax charge of £225.3 million, tax paid in the year of £179.4 million and other impacts of £0.6 million including those related to the

acquisition of Group entities. 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 2023	Year ended 31 December 2022
	£'Million	£'Million
Opening Solvency II net assets	1,379.9	1,245.3
Dividend paid	(289.9)	(303.9)
Issue of share capital and exercise of options	6.8	14.5
Consideration paid for own shares	(0.5)	(0.3)
Change in deferred tax	(24.9)	(30.5)
Impact of policyholder tax asymmetry	(44.4)	50.6
Reassurance recapture add-back	39.8	-
Change in goodwill, intangibles and other non-cash movements	(2.5)	(10.9)
Non-controlling interests arising on the part-disposal of subsidiaries	-	5.0
Cash result	68.7	410.1
<b>Closing Solvency II net assets</b>	<b>1,133.0</b>	<b>1,379.9</b>

## 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 (loss)/profit before tax of the combined business.

		Year ended 31 December 2023	Year ended 31 December 2022
	Note	£'Million	£'Million
Funds management business	1	1,234.3	1,725.8
Distribution business	2	(68.3)	(58.8)
Other	3	(125.0)	(77.3)
<b>EEV operating profit before exceptional items</b>		<b>1,041.0</b>	<b>1,589.7</b>
Exceptional item: Charge structure	4	(2,506.6)	-
Exceptional item: Ongoing Service Evidence provision	4	(426.0)	-
<b>EEV operating (loss)/profit after exceptional items</b>		<b>(1,891.6)</b>	<b>1,589.7</b>
Investment return variance	5	501.7	(1,314.0)
Economic assumption changes	6	2.5	235.1
<b>EEV (loss)/profit before tax</b>		<b>(1,387.4)</b>	<b>510.8</b>
Tax		340.3	(139.4)
<b>EEV (loss)/profit after tax</b>		<b>(1,047.1)</b>	<b>371.4</b>

A reconciliation between EEV operating (loss)/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 reduced to £1,234.3 million (2022: £1,725.8 million) and a full analysis of the result is shown below.

	Year ended 31 December 2023	Year ended 31 December 2022
	£'Million	£'Million
New business contribution	695.4	977.2
<b>Profit from existing business</b>		
- unwind of the discount rate	506.0	440.7
- experience variance	(11.3)	89.0
- operating assumption change	13.9	210.1
Investment income	30.3	8.8
<b>Funds management EEV operating profit</b>	<b>1,234.3</b>	<b>1,725.8</b>

The **new business contribution** for the year at £695.4 million (2022: £977.2 million) was 29% lower than the prior year, reflecting the reduction in new business volumes, together with the impact of changes to our charging structure described opposite.

The **unwind of the discount rate** for the year was higher at £506.0 million (2022: £440.7 million), reflecting the increase in the opening risk discount rate to 7.0% (2022: 4.2%), offset by a lower value of in-force business after allowing for the changes to our charging structure described opposite.

The **experience variance** during the year was £(11.3) million (2022: £89.0 million). The change relative to 2022 principally reflects the lower persistency experience in the year.

The **impact of operating assumption changes** in the year was £13.9 million (2022: positive £210.1 million), reflecting a small change to the persistency assumptions for our offshore bond business. The impact in the prior year reflects a small improvement to the persistency assumptions for unit trust and ISA business.

## 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 distribution capabilities in Asia. The reported loss has benefited from a reduction in the FSCS levy expense for our distribution business to £10.6 million (2022: £23.8 million), offsetting a reduction in the gross margin reflecting lower new business volumes.

## 3. Other

Other represents a number of miscellaneous items including development expenditure, the costs of running our Academy and implementing our new charging structure, as well as the cost of redress associated with client complaints. The increase reflects elevated complaints experience seen during the year.

## 4. Exceptional items:

The exceptional charge reflects the impact on the opening position of changes to our charge structure announced during the year as well as the impact of a provision that we have established following a review into the evidencing of historic ongoing servicing. The changes announced to our charge structure include:

- the change, announced in July 2023, to improve value for long-term clients by capping annual product management charges at 0.85% for bond and pension investments with a duration longer than ten years;
- the change, announced in October 2023, to simplify our charging structure from the middle of 2025.

## 5. 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 11.2% after charges, compared to the assumed investment return of 4.8%. This resulted in an investment return variance of £501.7 million (2022: negative £1,314.0 million).

## 6. Economic assumption changes

The positive variance of £2.5 million arising in the year (2022: positive £235.1 million) reflects broadly neutral economic assumption changes overall, compared to the significant increase in real yields seen 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      Year ended

	Year ended 31 December 2023	31 December 2022
<b>Investment</b>		
New business contribution (£Million)	96.6	148.2
Gross inflows (£Billion)	2.09	2.31
Margin (%)	4.6	6.4
<b>Pension</b>		
New business contribution (£Million)	469.2	495.3
Gross inflows (£Billion)	9.77	9.90
Margin (%)	4.8	5.0
<b>Unit trust and DFM</b>		
New business contribution (£Million)	129.6	333.7
Gross inflows (£Billion)	3.53	4.82
Margin (%)	3.7	6.9
<b>Total business</b>		
New business contribution (£Million)	695.4	977.2
Gross inflows (£Billion)	15.39	17.03
Margin (%)	4.5	5.7
Post-tax margin (%)	3.4	4.3

The overall margin for the year was 4.5% (2022: 5.7%), reflecting the impact of the impact of exceptional changes to our charge structure.

### Economic assumptions

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

	Year ended 31 December 2023	Year ended 31 December 2022
Risk-free rate	3.7%	3.9%
Inflation rate	3.5%	3.6%
Risk discount rate	6.8%	7.0%
Future investment returns:		
- Gilts	3.7%	3.9%
- Equities	6.7%	6.9%
- Unit-linked funds	6.0%	6.2%

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

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

### EEV sensitivities

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

	Note	Change in new business contribution		Change in European Embedded Value
		Pre tax £Million	Post tax £Million	Post tax £Million
<b>Value at 31 December 2023</b>		<b>695.4</b>	<b>524.7</b>	<b>7,739.1</b>
100bp reduction in risk-free rates, with corresponding change in fixed interest asset values	1	(10.8)	(8.2)	(63.6)
10% increase in withdrawal rates	2	(44.9)	(33.8)	(364.1)
10% reduction in market value of equity assets	3	-	-	(745.3)
10% increase in expenses	4	(10.0)	(7.6)	(72.1)
100bps increase in assumed inflation	5	(12.2)	(9.2)	(68.4)

### 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



2. The 10% increase is applied to the maximum rate of increase, if the maximum rate is 0% 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	94.0	70.6	619.6

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 2023	31 December 2022
	£'Million	£'Million
Value of in-force business	6,606.1	7,684.8
Solvency II net assets	1,133.0	1,379.9
<b>Total embedded value</b>	<b>7,739.1</b>	<b>9,064.7</b>

	31 December 2023	31 December 2022
	£	£
<b>Net asset value per share</b>	<b>14.11</b>	<b>16.66</b>

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 £250 million to our embedded value at 31 December 2023 (31 December 2022: £340 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 2023 we reviewed the level of our MSB for the Life businesses, and chose to maintain it at £355.0 million (31

December 2022: £355.0 million).

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

	Life <sup>1</sup>	Other regulated	Other <sup>1,2</sup>	Total	31 December 2022 total
	£'Million	£'Million	£'Million	£'Million	£'Million
31 December 2023					
Solvency II net assets before exceptional item	446.9	354.7	655.1	1,456.7	1,379.9
MSB	355.0	174.5	-	529.5	532.7
<b>Management solvency ratio before exceptional item</b>	<b>126%</b>	<b>203%</b>			
Exceptional item: Ongoing Service Evidence provision	-	(323.7)	-	(323.7)	-
<b>Capitalisation after the end of the reporting period</b>	<b>-</b>	<b>323.7</b>	<b>(323.7)</b>	<b>-</b>	<b>-</b>
<b>Solvency II net assets</b>	<b>446.9</b>	<b>354.7</b>	<b>331.4</b>	<b>1,133.0</b>	<b>1,379.9</b>

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

2 Before payment of the Group final dividend.

Our regulated wealth management business has been impacted by an exceptional item, being the recognition of an Ongoing Service Evidence provision. On 27 February 2024, the Group completed a capital injection into the regulated wealth management business, of which £323.7 million was used to meet the cost of the Ongoing Service Evidence provision. The liquidity necessary to support this capital injection was provided by a £260.0 million intra-Group dividend, together with a £190.0 million intra-Group loan, both from St James's Place UK plc, our main life company.

### 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.

During the year, we announced the outcome of an internal review which will see us simplify our charging structure from the second half of 2025, addressing the evolution over time of an external environment that is increasingly seeking simple comparability of all advice, investment management and other services on a component-by-component basis. As a result of this disaggregation of charges, the proportion of Group profit that will arise within our life companies will reduce, in favour of increased profit emergence in our other regulated companies. Reflecting the different regulatory treatment of these businesses, the effect of this change is to reduce the value of in-force, risk margin and the solvency capital requirements associated with our life companies at 31 December 2023, with a corresponding increase in the solvency ratio.

The solvency ratio has been further improved by the confirmation in December 2023 of a number of regulatory changes to the calculation of the risk margin as part of a wider package of Solvency II reform, with the effect being a material reduction in the risk margin.

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

	Life <sup>1</sup>	Other regulated	Other <sup>1,2</sup>	Total	31 December 2022 total
	£'Million	£'Million	£'Million	£'Million	£'Million
31 December 2023					
Solvency II net assets before exceptional item	446.9	354.7	655.1	1,456.7	1,379.9
Value of in-force (VIF)	2,485.2	-	-	2,485.2	5,580.4
Risk margin	(318.4)	-	-	(318.4)	(1,516.4)
<b>Own funds (A) before exceptional item</b>	<b>2,613.7</b>	<b>354.7</b>	<b>655.1</b>	<b>3,623.5</b>	<b>5,443.9</b>
Solvency capital requirement (B)	(1,611.5)	(116.2)	-	(1,727.7)	(3,522.5)
<b>Solvency II free assets before exceptional item</b>	<b>1,002.2</b>	<b>238.5</b>	<b>655.1</b>	<b>1,895.8</b>	<b>1,921.4</b>
Exceptional item: Ongoing Service Evidence provision	-	(323.7)	-	(323.7)	-
<b>Capitalisation after the end of the reporting period</b>	<b>-</b>	<b>323.7</b>	<b>(323.7)</b>	<b>-</b>	<b>-</b>
<b>Solvency II free assets</b>	<b>1,002.2</b>	<b>238.5</b>	<b>331.4</b>	<b>1,572.1</b>	<b>1,921.4</b>
<b>Solvency ratio</b>	<b>162%</b>	<b>305%</b>		<b>191%</b>	<b>155%</b>

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

2 Before payment of the Group final dividend.

As a result of these key changes, the solvency ratio after payment of the proposed Group final dividend is 188% at 31 December 2023, increased from 149% at 31 December 2022.

We target a solvency ratio of 130% for St. James's Place UK plc, our largest insurance subsidiary. The combined solvency ratio for our life companies, after payment of the year-end intra-Group dividend, is 162% at 31 December 2023 (31 December 2022: 130%).

## Solvency II sensitivities

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

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

	Note	Solvency II free assets £Million	Solvency II capital requirement £Million	Solvency ratio %
<b>Value at 31 December 2023</b>		<b>1,572.1</b>	<b>1,727.7</b>	<b>191%</b>
100bps reduction in risk-free rates, with corresponding change in fixed interest asset values	1	1,490.5	1,723.6	186%
10% increase in withdrawal rates	2	1,339.5	1,626.6	182%
10% reduction in market value of equity assets	3	1,543.2	1,417.1	209%
10% increase in expenses	4	1,526.3	1,720.6	189%
100bps increase in assumed inflation	5	1,507.8	1,723.9	187%

## 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

### Effective 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 strong risk and control culture, is critical to our success. We rigorously 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 and harms these risks could have 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 macroeconomic factors, regulation, cyber crime, climate change, and political risks such as changes in taxation) 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 accordance with our strategic objectives and to meet our obligations towards our clients, shareholders, regulators and other key stakeholders.

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 linked to culture and therefore is a core aspect of our governance and decision-making.

Risk management forms a key part of our strategic and business processes, including decisions on strategic developments affecting our client and Partner propositions, investments, change delivery, recruitment and retention, and dividend payments.

#### Our risk appetite

The Board sets its appetite for taking risk in the context of 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 Executive Committee, senior risk owners and the Group Risk Committee before being approved by the Board. The Group risk appetite statement also provides a mechanism to record the key individuals within the Group who have responsibility for managing particular risks. It also 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 incorporated into regular risk reporting, alongside qualitative information, to enable the Group Risk Committee, on behalf of the Board, to monitor the Group's risk profile.

#### Our risk management and control framework

The internal control environment is built upon a strong risk and control culture and organisational assignment of responsibility. The 'first line' business is responsible and accountable for risk management. This is then overlaid with oversight and challenge from the 'second line' risk and compliance functions, with independent assurance from the 'third line' internal audit function 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 the successful delivery of its strategic objectives and its ability to meet obligations towards clients, regulators and other key stakeholders. 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. To this end the Board robustly assesses its principal and emerging risks, which are considered in regular reporting and summarised annually in the Group's own risk and solvency assessment (ORSA). Further information on this is provided overleaf.

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 by monitoring the effectiveness of the internal control model throughout the year, which is supplemented by an annual review of risk and control self-assessments accompanied by executive-level attestations. The risk management and internal control 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.

### 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 regulatory capital in such conditions. Our results show that it would be possible to maintain regulatory capital across the Group under all stresses for the business planning horizon. This assists us when considering the calculations and allocation of risk capital to all major risks in the Group, and the adequacy of capital positions.

The ORSA uses a five-year projection period for the medium term. Due to the gestation period on some of our current pension and investment product ranges we do not earn annual management fees on these in the first six years. The revised charging structure, which will be launched in mid-2025, will have no gestational period and will instead earn annual management fees from year 1.

The ORSA is particularly useful in assessing viability, as it involves a comprehensive assessment of risks and capital requirements for the business.

For example, consideration is given to factors or events that impact on the income from funds under management such as market movements, retention of clients or ability to attract new clients. We also consider factors which impact 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. This scenario testing process was used to inform strategic decisions relating to 2023.

The scenarios are used to assess both the immediate impact of an event and the impact over the longer term (in the wake of an event). In addition to a standard set of 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 assists decision-making by bringing together the following:

- 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 and 2023, which was exacerbated in the UK by political turmoil. We expect to see challenges at a national level in 2024 and beyond as people and businesses continue to adjust to a higher interest rate environment and the higher cost of living. This is despite the fact that towards the end of 2023, inflation appeared to be on a trajectory to return towards the Bank of England's target and interest rates are expected to reduce over 2024. We are also mindful of potential longer term 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 (particularly with tax thresholds frozen) and investments. However, with 2024 being an election year, we do not expect taxes to rise further in the very short term. 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 global geopolitical tensions to escalate, which could have relevance to the Group through impacts on financial markets and through heightened cyber risk.

In October SJP announced important changes to its costs and charges for clients, which are expected to come into force through 2024 and into mid-2025. To date there has been minimal reaction from clients to these changes; however, we are at the start of an important period of communication and engagement with them to ensure that they understand how their charges will change. We believe the change improves our proposition for clients and as such will have long-term benefits for the business. It also reflects the Group's long-term commitment to improving client outcomes.

Although the new charging structure will not be launched until mid-2025, a significant amount of the systems development that is required will be conducted in 2024. We are conscious of the risk introduced through this significant project and the need for strong change practices and careful management. We believe the timeline is realistic for safely implementing the changes and we have a positive track record, including recent large-scale system migrations.

Whilst we consistently aim to achieve good outcomes for our clients, we have reconsidered all our client-focused activities and challenged where there may be features that could inadvertently lead to, or insufficiently mitigate, risk of harm to clients. This includes gathering further evidence from our clients on their understanding of our key literature and making changes to enhance the evidence we record to monitor and assess the value delivered to clients. For example, this has led to changes which will give more consistent, centralised evidence of the activities of the Partnership with clients and reduce the risk of clients not receiving an ongoing advice service of value to them. During the year the Group has experienced elevated levels of complaints principally in connection with the delivery of historic ongoing advice services. Given the claims experience and further analysis the Group has committed to review the sub-population of clients that has been charged for ongoing advice services since the start of 2018 but where the evidence of delivery falls below an acceptable standard. A provision has been recognised at 31 December 2023 which includes an estimated refund of charges.

The emergence of Claims Management Companies (CMC) interest in the Group and its clients may also have an impact in relation to the ongoing cost of complaints. This could be through other CMCs targeting the Group, or general growth in clients seeking redress due to CMC marketing. Alongside our existing advice standards and checking processes, the actions we have been taking to develop our proposition; enhanced evidential standards for ongoing advice; and switching off ongoing advice charges for clients who haven't received an ongoing advice service are expected to help to further manage the risk, and mitigate the potential level of complaints over the medium to long term.

Overall, we remain confident in our ability to withstand further challenges that may or may not emerge from the risk environment, which is described in more detail below.

### Macroeconomic

The macroeconomic risks associated with high inflation, the unwinding of 15 years of low interest rates and the threat of increasing geopolitical tension are not to be underestimated and the Group is not immune. For instance, whilst noting that variations in new business flows are not absolutely attributable to any one factor, the reduction in net and gross new business levels over 2023 is believed to be principally driven by changing economic conditions for clients. Nevertheless, the Group's business model has demonstrated resilience, with inflows remaining significantly positive through 2023, and we continue to be well positioned to survive adverse conditions whilst investing for long-term growth. We remain mindful of key macroeconomic risks:

- Asset prices could fall if the economic outlook deteriorates. Asset price falls reduce future profitability but, counter-intuitively, 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, should they occur, although such scenarios would negatively impact cash generation.
- Whilst inflation has fallen over the last year, there can be lagging effects (e.g. contractual inflation-related increases) which render our strategic targets of both limiting growth in controllable expenses to 5% per annum and investing in the business to support future growth more difficult jointly to achieve. A key strategic consideration for the business is value creation through development expenditure which will improve our proposition for clients and Partners. The inflationary environment also reduces clients' investable income, resulting in reduced new business and higher outflows, particularly in the ISA and unit trust products.
- Business loans to advisers continue to have higher interest payments. 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 investment opportunities across financial

Despite the potential macroeconomic risks we believe there are good reasons to be optimistic about investment opportunities across financial markets, and 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, the advantages of which would have been experienced through 2023.

### Regulatory change

Regulatory change is a constant and, amongst the significant regulatory changes we face, the FCA continues to reinforce the need for firms to embed the Consumer Duty regulation. We are a client-focused business and have engaged proactively with this important regulatory initiative. Whilst we believe that we have consistently aimed to achieve good outcomes for our clients, we have reconsidered all our client-focused activities and challenged on how we develop these activities to meet current and ever-increasing expectations. The business is embedding activity to monitor and assess clients' outcomes and implementing Consumer Duty requirements for closed books by July 2024. A very small relative proportion of the Group's liabilities are in closed book policies; however, we recognise the importance of these policies to the clients who have them.

Changes to the determination of the risk margin requirement under Solvency II regulation were applied prior to 31 December 2023. These changes saw a significant reduction in capital requirements for SJPUK, the Group's UK insurance company. This has resulted in an improvement in the Solvency II capital coverage for SJPUK. Whilst recognising the rationale for the change and the potential benefits of a release of capital, the SJPUK Board is giving careful consideration to its financial risk appetite and ensuring a prudent approach to capital management, recognising the interests of SJPUK's clients.

### Climate change

Tackling climate change is 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 that our investments will be net zero by 2050. More information on the actions we are taking can be found in the Our Responsible Business section under climate change.

Climate-change-related risks affect companies in different ways, and periodically we carefully consider how climate change could impact the Group. This allows us to identify, understand and manage the risks and opportunities. Climate change is a driver of market-related risk, be that through physical climate events or impacts from transitioning away from fossil fuels. Whilst recognising the unique ways in which climate change can affect individual investments, our approach to managing this risk 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. 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 climate-related risks on our business 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 business are low. We further work to understand the risk to our material third parties' and engage with them to share and remediate material concerns.

### 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 we recognise that the cyber environment continues to develop, particularly with state-sponsored threats.

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, while 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	Risk considerations	Mitigations/controls
<b>Client proposition</b>	Our product proposition fails to meet the needs, objectives and expectations of our clients. This includes poor relative investment performance and poor product design.	<ul style="list-style-type: none"> <li>• Investments provide poor returns relative to their benchmarks and/or do not deliver expected client outcomes.</li> <li>• Range of solutions does not align with the product and service requirements of our current and potential future clients.</li> <li>• Failure to meet client expectations of a sustainable business, not least in respect of climate change and responsible investing.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of asset allocations across portfolios to consider whether they are performing as expected in working towards long-term objectives.</li> <li>• Monitoring funds against their objectives, mindful of an appropriate level of investment risk.</li> <li>• Ongoing assessment of value delivered by funds and portfolios versus their objectives.</li> <li>• Where necessary, fund managers are changed in the most effective way possible.</li> <li>• Continuous review and development of the range of services offered to clients.</li> <li>• Engagement with fund managers around principles of responsible investment.</li> </ul>
<b>Conduct</b>	We fail to provide quality, suitable advice or service to clients.	<ul style="list-style-type: none"> <li>• Advisers deliver poor-quality or unsuitable advice.</li> <li>• Failure to evidence the provision of good-quality service and advice.</li> <li>• Increasing complaint volumes.</li> </ul>	<ul style="list-style-type: none"> <li>• Licensing programme which supports the quality of advice and service from advisers.</li> <li>• Technical support helplines for advisers.</li> <li>• Client complaint handling process and reporting.</li> <li>• Evidence of ongoing servicing of clients and charge switch-off process where ongoing advice has not been provided.</li> <li>• Review of the provision of ongoing advice services in line with expectations and acceptable evidential standards, and refund of charges as appropriate.</li> <li>• Robust oversight process of the advice provided to clients delivered by Business Assurance, Field Risk, Advice Guidance and Compliance Monitoring teams.</li> <li>• Partner financial monitoring.</li> </ul>
<b>Financial</b>	We fail to effectively manage the business's finances.	<ul style="list-style-type: none"> <li>• Failure to meet client liabilities.</li> <li>• Investment/market risk.</li> <li>• Credit risk.</li> <li>• Liquidity risk.</li> <li>• Insurance risk.</li> <li>• Expense risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Policyholder liabilities are fully matched.</li> <li>• Excess assets appropriately invested in high-quality, high-liquidity cash and cash equivalents.</li> <li>• Direct lending to the Partnership is secured.</li> <li>• Part-reinsurance of insurance risks.</li> <li>• Ongoing monitoring of all risk exposures and experience analysis.</li> <li>• Setting and monitoring budgets.</li> </ul>

	<b>Risk description</b>	<b>Risk considerations</b>	<b>Mitigations/control</b>
			Monitoring and management of subsidiaries' solvency to minimise Group interdependency.
<b>Partner proposition</b>	Our proposition solution fails to meet the needs, objectives and expectations of our current and potential future advisers.	<ul style="list-style-type: none"> <li>Failure to attract new members to the Partnership.</li> <li>Failure to retain advisers.</li> <li>Failure to increase adviser productivity.</li> <li>Available technology falls short of client and adviser expectations and fails to support growth objective.</li> <li>The Academy does not adequately support growth of the partnership.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on providing a market-leading Partner proposition.</li> <li>Adequately skilled and resourced population of supporting field managers.</li> <li>Reliable systems and administration support.</li> <li>Expanding the Academy capacity and supporting recruits through the Academy and beyond.</li> <li>Market-leading support to Partners' businesses.</li> </ul>
<b>People</b>	We are unable to attract, retain and organise the right people to run the business.	<ul style="list-style-type: none"> <li>Failure to attract and retain personnel with key skills.</li> <li>Poor employee engagement.</li> <li>Failure to create an inclusive and diverse business.</li> <li>Poor employee wellbeing.</li> <li>Our culture of supporting social value is eroded.</li> </ul>	<ul style="list-style-type: none"> <li>Measures to maintain a stable population of employees, including competitive total reward packages.</li> <li>Monitoring of employee engagement and satisfaction.</li> <li>Employee wellbeing is supported through various initiatives, benefits and services.</li> <li>Corporate incentives to encourage social value engagement, including matching of employee charitable giving to the SJP Charitable Foundation.</li> <li>Whistleblowing hotline.</li> </ul>
<b>Regulatory</b>	We fail to meet current, changing or new regulatory and legislative expectations.	<ul style="list-style-type: none"> <li>Failure to comply with existing regulations.</li> <li>Failure to comply with changing regulation or respond to changes in regulatory expectations.</li> <li>Inadequate internal controls.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance functions provide guidance and carry out extensive assurance work over the control environment, particularly over highly regulated areas</li> <li>Maintenance of appropriate solvency capital buffers, and continuous monitoring of solvency experience.</li> <li>Clear accountabilities and understanding of responsibilities across the business.</li> <li>Fostering of positive regulatory relationships.</li> </ul>
<b>Security and resilience</b>	We fail to adequately secure our physical assets, systems and/or sensitive information, or to deliver critical business services to our clients.	<ul style="list-style-type: none"> <li>Internal or external fraud.</li> <li>Core system failure.</li> <li>Corporate, Partnership or third-party information security and cyber risks.</li> <li>Disruption in key business services to our clients.</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity planning for SJP and its key suppliers.</li> <li>Focus on building and strengthening operational resilience capabilities and undertaking robust identification, assessment and testing of important business services.</li> <li>Mandatory 'Cyber Essentials Plus' accreditation for Partner practices or use of an SJP 'Device as a Service' solution.</li> <li>Clear cyber strategy and data protection roadmap for continuous development.</li> <li>Data leakage detection technology and incident reporting systems.</li> <li>Identification, communication, and response planning for a cyber event.</li> <li>Group-Executive-Committee-level cyber scenario work to test strategic response.</li> <li>Internal awareness programmes.</li> </ul>
<b>Strategy, competition and brand</b>	Challenge from competitors and impact of reputational damage.	<ul style="list-style-type: none"> <li>Unnecessary delays/errors caused by failures in change delivery.</li> <li>Increased competitive pressure from traditional and disruptive (non-traditional) competitors.</li> <li>Cost and charges pressure.</li> <li>Negative media coverage.</li> <li>Failure to meet our commitments to net zero.</li> </ul>	<ul style="list-style-type: none"> <li>Robust change governance and change management practices, including testing.</li> <li>Clear demonstration of value delivered to clients through advice, service and products.</li> <li>Investment in improving positive brand recognition.</li> <li>Ongoing development of client and Partner propositions.</li> <li>Proactive engagement with external agencies including media, industry groups, shareholders and regulators.</li> <li>Clear interim targets to be tracked towards meeting our long-term net zero targets.</li> </ul>
<b>Third parties</b>	Third-party outsourcers' activities impact our performance and risk management.	<ul style="list-style-type: none"> <li>Operational failures by material outsourcers.</li> <li>Failure of critical services. Significant outsourced areas include: <ul style="list-style-type: none"> <li>investment administration</li> <li>fund management</li> <li>custody</li> <li>policy administration</li> <li>cloud services</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Oversight regime in place to identify prudent steps to reduce risk of operational failures by material third-party providers.</li> <li>Ongoing monitoring, including assessment of operational resilience.</li> <li>Due diligence on key suppliers.</li> <li>Oversight of service levels of our third party administration provider.</li> </ul>

### Emerging risks

Emerging risks are identified through many activities: conversations and workshops with stakeholders and governance forums 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 well positioned to manage the risks to our future strategy. The Group Risk Committee reviewed emerging risks during 2023.

Examples of emerging risks that have been considered include:

- economic risks including cost of living and inflation;
- geopolitical factors including consequences of the invasion of Ukraine and the conflict in Gaza and Israel;
- regulatory framework and increasing regulatory landscape;
- increasing regulation and legislation relating to climate change;
- employee-related risks including future specialist skillset requirements for areas such as artificial intelligence technologies;
- competitor/threat analysis including potential impacts on Partnership.

- completion of work during or including potential impacts on our business;
- technology enhancements including digitisation and automation, artificial intelligence and ChatGPT;
- cyber crime threats; and
- energy supply risks including 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 taken 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 and Partner 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 as at year-end 2023 demonstrated that the Group is resilient and is expected to be able to continue to meet regulatory capital requirements over five years should even the more extreme risks materialise. For adverse stresses and scenarios there would be impacts on profitability, and depending on the severity of the scenario the Group would review and implement recovery actions which aim to protect and/or restore the Group's finances. We have demonstrated the use of these recovery actions through the establishment of the provision relating to the review of clients that have been charged for ongoing advice services since the start of 2018 but where the evidence of delivery falls below an acceptable standard.

#### Example stress and scenario test

As part of the strategic decision-making process, the new charging structure was re-tested using our standard suite of stresses and scenarios to understand the resilience of the Group under different charging models. While the new charging structure was focused on improving our client proposition it was imperative also to focus on the outcomes for our advisers and shareholders. We therefore stress tested a scenario whereby the changes might be adversely received by the Partnership and/or clients. In this scenario we applied the following stresses to the cash flow and solvency forecasts for the new charging structure: reductions in new business; increases in lapses; reductions in the proportion of clients paying ongoing advice charges; and increases in expenses (beyond those planned to implement the changes). The results showed that whilst this scenario would have an impact on profit prior to any mitigating management actions, it would not cause solvency concerns. Furthermore, we have been encouraged by the response so far to the announced changes, which gives us further confidence that the scenario tested is highly unlikely.

#### Resilience over different time horizons

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

Over the next year	
<p><b>Risks:</b></p> <p>Over the short term key risks are most likely to be operational, such as cyber crime, business disruption, or failure of operational processes resulting in operational losses and/or material client redress. There is also a risk that, despite establishing a provision, we incur greater costs than provisioned for our review of ongoing advice services.</p> <p>Additionally, there are change delivery risks during 2024 due to necessary upgrades to systems and business processes and alterations to the business model, most notably to implement the important changes to our charging structure which will take effect in 2025. We adopt robust change control practices involving periods of significant testing and take actions to manage and mitigate the risks associated with the delivery of change.</p> <p>Reputational risks from media attention can impact ability to generate new and retain existing business.</p> <p>The cost-of-living crisis and higher interest rates are also key risks to business performance if they restrict clients' capacity to invest and stay invested.</p> <p>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.</p> <p>It is not expected that solvency will be an issue in the short term due to our matching approach on liabilities and the stress and scenario testing work. 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.</p>	<p><b>Resilience:</b></p> <p>Operational resilience and business continuity are important control frameworks that are carefully managed through regular assessments and a schedule of testing, working closely and collaboratively with our third parties.</p> <p>During 2023 the Group has experienced elevated levels of complaints principally in connection with the delivery of historic ongoing advice services. During 2024, the Group has committed to review the sub-population of clients that has been charged for ongoing advice services since the start of 2018 but where the evidence of delivery falls below an acceptable standard.</p> <p>Changing regulatory expectations following the introduction of the new Consumer Duty regulation continue to be considered in depth. We are a client-focused business and so any changes we make are designed to be positive for our business over the longer term reducing regulatory and reputational risk and supporting good client outcomes.</p> <p>The Group generates relatively steady cash profits on new business and existing funds under management which increase each year as funds in gestation 'mature'. The change to the charging structure announced in October 2023 will alter the pattern of cash generation due to the removal of the early withdrawal charge and business written will be cash-generative from year 1, once this change takes effect in mid-2025.</p> <p>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 various options exist, curtailing investment or reducing dividends would be potential ways to protect the financial strength of the business. The business currently 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.</p>
Over the next five years	
<p><b>Risks:</b></p> <p>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.</p> <p>Our charging structure changes are expected to be implemented in this timeframe. With this change will come operational risk and expectations that cash profits will, all else being equal, reduce in 2025 and 2026. However, they are then expected to increase.</p> <p>The importance of technology in the client proposition is only likely to grow, and risks may materialise from rapidly developing artificial intelligence technology and/or non-traditional competitors seeking to disrupt the UK financial advice market.</p> <p>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 SIP, to support productivity and retention.</p>	<p><b>Resilience:</b></p> <p>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.</p> <p>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.</p> <p>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.</p>
Beyond 2028	
<p>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.</p> <p>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</p>	<p>We are exploring opportunities in relation to artificial intelligence 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.</p> <p>We have been developing our responsible investing proposition for some years and</p>





At 1 January 2022		81.1	213.8	(8.5)	2.5	830.3	1,119.2	-	1,119.2
Impact of the adoption of IFRS 17 <sup>1</sup>		-	-	-	-	9.6	9.6	-	9.6
At 1 January 2022 (restated)		81.1	213.8	(8.5)	2.5	839.9	1,128.8	-	1,128.8
Profit and total comprehensive income for the year <sup>1</sup>		-	-	-	-	406.8	406.8	0.4	407.2
Dividends	12	-	-	-	-	(303.6)	(303.6)	(0.3)	(303.9)
Issue of share capital	12	0.1	5.6	-	-	-	5.7	-	5.7
Exercise of options	12	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
<b>At 31 December 2022<sup>1</sup></b>		<b>81.6</b>	<b>227.8</b>	<b>(4.1)</b>	<b>2.5</b>	<b>963.8</b>	<b>1,271.6</b>	<b>0.2</b>	<b>1,271.8</b>
(Loss)/profit and total comprehensive income for the year		-	-	-	-	(10.1)	(10.1)	0.2	(9.9)
Dividends	12	-	-	-	-	(289.6)	(289.6)	(0.3)	(289.9)
Exercise of options	12	0.7	6.1	-	-	-	6.8	-	6.8
Consideration paid for own shares		-	-	(0.5)	-	-	(0.5)	-	(0.5)
Shares sold during the year		-	-	3.9	-	(3.9)	-	-	-
Retained earnings credit in respect of share option charges		-	-	-	-	5.4	5.4	-	5.4
Retained earnings debit arising on disposal of subsidiary		-	-	-	-	(0.2)	(0.2)	-	(0.2)
<b>At 31 December 2023</b>		<b>82.3</b>	<b>233.9</b>	<b>(0.7)</b>	<b>2.5</b>	<b>665.4</b>	<b>983.4</b>	<b>0.1</b>	<b>983.5</b>

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

The number of shares held in the Shares in trust reserve is given in Note 12 Share capital, earnings per share and dividends. Miscellaneous reserves represent other non-distributable reserves.

### Consolidated Statement of Financial Position

	Note	As at 31 December 2023 £'Million	As at 31 December 2022 <sup>1</sup> £'Million
<b>Assets</b>			
Goodwill		33.6	33.6
Deferred acquisition costs <sup>1</sup>		304.4	336.6
Intangible assets			
- Purchased value of in-force business		8.0	11.2
- Computer software		28.0	33.3
Property and equipment, including leased assets		153.1	145.7
Deferred tax assets <sup>1</sup>	6	36.5	12.5
Investment in associates		10.2	1.4
Reinsurance assets <sup>1</sup>		13.0	54.6
Other receivables <sup>1</sup>	7	2,997.4	2,977.2
Income tax assets	6	-	35.0
Investments			
- Investment property		1,110.3	1,294.5
- Equities		116,761.5	103,536.0
- Fixed income securities		27,244.7	27,552.7
- Investment in Collective Investment Schemes		13,967.5	5,735.4
- Derivative financial instruments		3,420.6	3,493.0
Cash and cash equivalents		6,204.3	6,432.8
<b>Total assets</b>		<b>172,293.1</b>	<b>151,685.5</b>
<b>Liabilities</b>			
Borrowings	10	251.4	163.8
Deferred tax liabilities	6	411.7	162.9
Insurance contract liabilities <sup>1</sup>		496.0	470.5
Deferred income		491.5	530.4
Other provisions	9	500.1	46.0
Other payables <sup>1</sup>	8	2,388.1	2,180.7
Investment contract benefits		123,149.8	106,964.7

Derivative financial instruments		3,073.0	3,266.3
Net asset value attributable to unit holders		40,536.5	36,628.4
Income tax liabilities		11.5	-
<b>Total liabilities</b>		<b>171,309.6</b>	<b>150,413.7</b>
<b>Net assets</b>		<b>983.5</b>	<b>1,271.8</b>
<b>Shareholders' equity</b>			
Share capital	12	82.3	81.6
Share premium		233.9	227.8
Shares in trust reserve		(0.7)	(4.1)
Miscellaneous reserves		2.5	2.5
Retained earnings		665.4	963.8
<b>Equity attributable to owners of the Parent Company</b>		<b>983.4</b>	<b>1,271.6</b>
Non-controlling interests		0.1	0.2
<b>Total equity</b>		<b>983.5</b>	<b>1,271.8</b>
		<b>Pence</b>	<b>Pence</b>
<b>Net assets per share</b>		<b>179.3</b>	<b>233.7</b>

1 Restated to reflect the adoption of IFRS 17. See Note 1a.

### Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2023 £'Million	Year ended 31 December 2022 <sup>1</sup> £'Million
<b>Cash flows from operating activities</b>			
Cash generated/(used in) from operations <sup>1</sup>	11	114.0	(712.6)
Interest received		108.0	61.8
Interest paid		(17.3)	(12.4)
Income taxes paid	6	(179.4)	(121.1)
Contingent consideration paid		(6.7)	(6.3)
<b>Net cash inflow/(outflow) from operating activities<sup>1</sup></b>		<b>18.6</b>	<b>(790.6)</b>
<b>Cash flows from investing activities</b>			
Payments for property and equipment		(11.2)	(4.0)
Payment of software development costs		(10.9)	(16.1)
Payments for acquisition of subsidiaries and other business combinations, net of cash acquired		(5.4)	(13.9)
Payments for associates		(8.8)	-
Proceeds from sale of shares in subsidiaries and other business combinations, net of cash disposed		1.1	4.0
<b>Net cash outflow from investing activities<sup>1</sup></b>		<b>(35.2)</b>	<b>(30.0)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital and exercise of options		6.8	8.8
Consideration paid for own shares		(0.5)	(0.3)
Proceeds from borrowings	10	233.1	204.0
Repayment of borrowings	10	(144.8)	(475.3)
Principal elements of lease payments		(14.2)	(13.8)
Dividends paid to Company's shareholders	12	(289.6)	(303.6)
Dividends paid to non-controlling interests in subsidiaries		(0.3)	(0.3)
<b>Net cash (outflow) from financing activities</b>		<b>(209.5)</b>	<b>(580.5)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(226.1)</b>	<b>(1,401.1)</b>
Cash and cash equivalents at 1 January		6,432.8	7,832.9
Effects of exchange rate changes on cash and cash equivalents		(2.4)	1.0
<b>Cash and cash equivalents at 31 December</b>		<b>6,204.3</b>	<b>6,432.8</b>

1 Restated to reclassify Proceeds from sale of financial assets held at amortised cost from net cash flows from investing activities to net cash flows from operating activities. See Note 1a.

## 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 2023, the following relevant new and amended standards, which the Group adopted as of 1 January 2023, have been applied:

- IFRS 17 Insurance Contracts;
- 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 Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules.

As at 31 December 2023 there were no new or amended accounting standards not yet effective which are relevant to the Group.

### **Basis of preparation**

The going concern basis has been adopted in preparing these Financial Statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chief Executive's report and the Chief Financial Officer's report. The financial performance and financial position of the Group are described in the financial review.

As shown in Section 3 of the financial review, the Group's capital position remains strong and well in excess of regulatory requirements. In addition, it has continued to operate within its external banking covenants. The S&P rating of St. James's Place UK plc remains at A- (BBB at SJP PLC). Similarly, the Fitch rating remains at A+ for St. James's Place UK plc (A at SJP PLC level). Further, the long-term nature of the business results in considerable positive cash flows arising from existing business.

The Board has considered the challenging macroeconomic and geopolitical conditions which prevailed during 2023, noting that the business continued to be successful in this environment. Notwithstanding market challenges, the Group attracted gross inflows of £15.4 billion. Net flows came under pressure as a result of competition from cash-based investments subduing the total for 2023 to £5.1 billion. This, along with the performance of our key outsource providers, monitored through our ongoing oversight, supports its view that the business will continue to remain operationally resilient.

The Board has also considered a profitability forecast including base case scenario and severe but plausible downside scenarios. In modelling these scenarios, the Group has considered its liquidity, cash and IFRS results. The downside scenarios are severe but plausible and would still leave the Group with positive cash result and IFRS profit.

The Board has also considered elevated client complaints and potential options and mitigations available to the Group should there be a need to take additional action in relation to increased levels of client complaints.

As a result of its review, the Board believes that the Group will continue to operate, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations, for a period of at least 12 months from the date of approval of the Group Financial Statements.

The Financial Statements are presented in pounds Sterling rounded to the nearest one hundred thousand pounds. They are prepared on a historical cost basis, except for assets classified as investment property and financial assets and liabilities at fair value through profit and loss.

The preparation of the Financial Statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have material effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.

The Financial Statements are prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS, and the accounting policies set out below have been applied consistently to all years presented in these Consolidated Financial Statements.

### **Other accounting policies**

The other accounting policies used by the Group in preparing the results are consistent with those applied in preparing the

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 2022.

## 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.

### 1a. Restatement of prior periods

#### Adjustment 1 - Adoption of IFRS 17 Insurance Contracts

On 1 January 2023 the Group adopted IFRS 17 Insurance Contracts and, as required by the standard, applied the requirements retrospectively with comparatives restated from 1 January 2022.

The adoption of IFRS 17 resulted in an increase of £1.8 million for the year ended 31 December 2022 to the IFRS profit after tax. The movement occurred due to the revised pattern of profit recognition under IFRS 17, which replaces margins in the measurement of insurance contract liabilities under IFRS 4 with an explicit allowance for risk and a Contractual Service Margin (CSM) which defers the recognition of profit over the coverage period.

There is no impact on the Group's 2022 APMs except for 'Underlying profit', which is affected to the same extent that IFRS 17 impacts IFRS profit after tax.

IFRS 17 incorporates revised principles for the recognition, measurement, presentation and disclosure of insurance contracts. The presentation of insurance revenue and insurance service expenses in the Statement of Comprehensive Income is based upon the concept of insurance services provided during the period.

#### IFRS 17 transition approach

The fair value approach (FVA) has been applied to all insurance and reinsurance contracts on transition to IFRS 17, as the Group considers that application of a fully retrospective approach is impractical (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).

Under the FVA, the CSM recognised at transition is determined as the difference between the fair value of contracts at the transition date and the Fulfilment Cash Flows at the transition date. The fair value on transition has been derived in accordance with IFRS 13 Fair Value Measurement and represents the price a market participant would require to assume the liabilities in an orderly transaction. Under the fair value approach, the simplification permitting contracts in different annual cohorts to be placed into a single group of contracts has been adopted. The Group closed to new insurance business, as defined under IFRS 17, in 2011.

On transition to IFRS 17 a deferred tax liability has been established representing the tax in relation to the movement in equity on transition to IFRS 17. The deferred tax liability will fully unwind over ten years from the transition date.

#### Adjustment 2 - Consolidated Statement of Comprehensive Income, Revenue

IFRS 17 provides greater clarity on the split of profit between insurance and investment contracts; during the implementation, a review of revenue identified that some items within the Consolidated Statement of Comprehensive Income were misclassified and required restatement. The restatement totalled £24.6 million for the year ended 31 December 2022, decreasing fee and commission income and increasing movement in investment contract benefits, by the same amount, resulting in a net nil impact on the profit for the year.

#### Adjustment 3 - Consolidated Statement of Comprehensive Income, Other finance income

During the year it was identified that other finance costs had been misclassified and required restatement. For the year ended 31 December 2022 the restatement comprised an increase of £27.6 million in investment return, decrease of £12.5 million in expenses, and a corresponding net £15.1 million other finance income recognised. The restatement resulted in a net nil impact on the profit for the year.

#### Adjustment 4 - Consolidated Statement of Cashflows, Proceeds from sale of financial assets held at amortised cost

During the year, following a review by the Financial Reporting Council, it was determined that it was more appropriate to classify the sale in 2022 of a portfolio of Partner loans as an operating cash flow rather than an investing cash flow. Accordingly the Consolidated Statement of Cashflows for the year ended 31 December 2022 has been restated to reflect this. The restatement, totalling £262.5 million, decreases proceeds from sale of financial assets held at amortised cost, included within investing activities, and increases the movement in other receivables, included within operating activities, by the same amount.

Restatement for the year ended 31 December 2022

Impact on Consolidated Statement of Comprehensive Income

	Year ended 31 December 2022	(Decrease)/increase			Restated year ended 31 December 2022
		Adj 1	Adj 2	Adj 3	
	£'Million	£'Million	£'Million	£'Million	£'Million
Insurance premium income	33.7	(33.7)	-	-	-
Less premiums ceded to reinsurers	(23.3)	23.3	-	-	-
Net insurance premium income	10.4	(10.4)	-	-	-
Fee and commission income	1,954.2	-	(24.6)	-	1,929.6
Investment return	(13,771.9)	41.6	-	(27.6)	(13,757.9)
Net expense	(11,807.3)	31.2	(24.6)	(27.6)	(11,828.3)
Policy claims and benefits					
- Gross amount	(48.0)	48.0	-	-	-
- Reinsurers' share	14.6	(14.6)	-	-	-
Net policyholder claims and benefits incurred	(33.4)	33.4	-	-	-
Change in insurance contract liabilities					
- Gross amount	88.8	(88.8)	-	-	-
- Reinsurers' share	(16.0)	16.0	-	-	-
Net change in insurance contract liabilities	72.8	(72.8)	-	-	-
Movement in investment contract benefits	13,734.8	-	24.6	-	13,759.4
Expenses	(1,966.2)	4.5	-	12.5	(1,949.2)

Insurance revenue	-	26.5	-	-	26.5
Insurance service expenses	-	(13.5)	-	-	(13.5)
Net reinsurance expense	-	(9.6)	-	-	(9.6)
Net insurance finance income	-	2.4	-	-	2.4
Other finance income	-	-	-	15.1	15.1
Profit before tax	0.7	2.1	-	-	2.8
Tax attributable to policyholders' returns	501.1	-	-	-	501.1
Profit before tax attributable to shareholders' returns	501.8	2.1	-	-	503.9
Total tax credit	404.7	(0.3)	-	-	404.4
Less: tax attributable to policyholders' returns	(501.1)	-	-	-	(501.1)
Tax attributable to shareholders' returns	(96.4)	(0.3)	-	-	(96.7)
Profit and total comprehensive income for the year	405.4	1.8	-	-	407.2
Profit attributable to non-controlling interests	0.4	-	-	-	0.4
Profit attributable to equity shareholders	405.0	1.8	-	-	406.8
Profit and total comprehensive income for the year	405.4	1.8	-	-	407.2

	Pence		Pence
Basic earnings per share	74.6		75.0
Diluted earnings per share	73.9		74.3

#### Impact on Consolidated Statement of Changes in Equity

Increase	Equity attributable to owners of the Parent Company		
	Retained earnings	Total	Total equity
	£'Million	£'Million	£'Million
At 1 January 2022	9.6	9.6	9.6
Profit and total comprehensive income for the year	1.8	1.8	1.8
At 31 December 2022	11.4	11.4	11.4

#### Impact on Consolidated Statement of Financial Position

	31 December 2022	(Decrease)/increase Adj 1	Restated 31 December 2022	Restated 1 January 2022
	£'Million	£'Million	£'Million	£'Million
	<b>Assets</b>			
Deferred acquisition costs	337.3	(0.7)	336.6	378.9
Deferred tax assets	13.9	(1.4)	12.5	19.5
Reinsurance assets	66.4	(11.8)	54.6	74.8
Other receivables	2,982.8	(5.6)	2,977.2	2,913.1
Total assets	151,705.0	(19.5)	151,685.5	155,710.6
<b>Liabilities</b>				
Insurance contract liabilities	483.5	(13.0)	470.5	568.6
Other payables	2,198.6	(17.9)	2,180.7	2,579.3
Total liabilities	150,444.6	(30.9)	150,413.7	154,581.8
Net assets	1,260.4	11.4	1,271.8	1,128.8

#### Impact on Consolidated Statement of Cash Flows

	31 December 2022	Increase/(decrease) Adj 4	Restated 31 December 2022
	£'Million	£'Million	£'Million
	<b>Cash flows from operating activities</b>		
Cash (used in)/generated from operations	(975.1)	262.5	(712.6)
Net cash outflow from operating activities	(1,053.1)	262.5	(790.6)
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial assets held at amortised cost	262.5	(262.5)	-
Net cash inflow(outflow) from investing activities	232.5	(262.5)	(30.0)

#### Restatement of 1 January 2022

#### Impact on Consolidated Statement of Financial Position

	Restated 1 January 2022
	£'Million
<b>Assets</b>	
Goodwill	29.6
Deferred acquisition costs	378.9
Intangible assets	

- Acquired value of in-force business	14.4
- Computer software	27.0
Property and equipment	154.5
Deferred tax assets	19.5
Investment in associates	1.4
Reinsurance assets	74.8
Other receivables	2,913.1
Investments	
- Investment property	1,568.5
- Equities	106,782.3
- Fixed income securities	29,305.9
- Investments in Collective Investment Schemes	5,513.2
- Derivative financial instruments	1,094.6
Cash and cash equivalents	7,832.9
<b>Total assets</b>	<b>155,710.6</b>
Liabilities	
Borrowings	433.0
Deferred tax liabilities	649.8
Insurance contract liabilities	568.6
Deferred income	562.6
Other provisions	44.1
Other payables	2,579.3
Investment contract benefits	110,349.8
Derivative financial instruments	1,019.5
Net asset value attributable to unit holders	38,369.0
Income tax liabilities	6.1
<b>Total liabilities</b>	<b>154,581.8</b>
<b>Net assets</b>	<b>1,128.8</b>
Shareholders' equity	
Share capital	81.1
Share premium	213.8
Treasury shares reserve	(8.5)
Miscellaneous reserves	2.5
Retained earnings	839.9
Shareholders' equity	1,128.8
Non-controlling interests	-
<b>Total equity</b>	<b>1,128.8</b>

## 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 relate to:

- determining the value of insurance contract liabilities and reinsurance assets;
- determining the fair value of investment property;
- determining the fair value of Level 3 fixed income securities and equities; and
- determining the value of an Ongoing Service Evidence provision.

Estimates are also applied in calculating 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 and reinsurance assets

In accordance with IFRS 17, the Group has used the following assumptions in the calculation of insurance contract liabilities and reinsurance assets:

- the assumed rate of investment return, which is based on current risk-free swap rates;
- the mortality and morbidity rates, which are based on the results of an investigation of experience during the year;
- the level of expenses, which for the year under review is based on actual expenses in 2023 and expected rates in 2024 and over the long term;
- the lapse assumption, which is set based on an investigation of experience during the year; and
- the risk adjustment, which is determined using a cost of capital approach with a 3% charge (2022: 3%). There has been no change during the period.

### 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 design, configuration, accessibility, legislation, management and fiscal considerations - and, additionally, current and historical 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.

A number of investments are held 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.

#### **Determining the value of an Ongoing Service Evidence provision**

The Group has committed to review the sub-population of clients that has been charged for ongoing advice services since the start of 2018 but where the evidence of delivery falls below the acceptable standard. Where the standard of evidence is deemed by the Group to be marginal the Group will invite clients to join the review (the "Opt-In population"), but where the standard of evidence is deemed to be poor the Group will include clients in the review unless instructed otherwise (the "Opt-Out population").

In accordance with IAS 37, and reflecting an initial assessment of a statistically credible representative cohort of clients undertaken by a skilled person, the Group has quantified the Ongoing Service Evidence provision as the best estimate of the amount necessary to settle the present obligation, taking into account the associated risks and uncertainties.

The period for the review has been determined by the Group to commence from 2018 following an assessment of the regulatory regime in force during this period and the requirement to retain evidence of delivery for this period of time.

Key estimates and assumptions in assessing the estimated value are:

- extrapolation from a representative cohort - that the initial assessment, of a statistically credible representative cohort of client records, can be extrapolated to the wider review population;
- Opt-In response rate - the response rate by clients to an invitation, taking into account industry experience; and
- administration costs - that in-house historic experience and wider market experience of similar exercises can be used to estimate the cost to fulfil the exercise.

Further details of the provision, including sensitivity analysis, are set out in Note 9.

#### **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 tranches of loan notes, hence being subject to variability

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 to 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 by 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.

#### **Determining the value of insurance contract liabilities and reinsurance assets on transition to IFRS 17**

The fair value on transition has been derived in accordance with IFRS 13 Fair Value Measurement and represents the price a market participant would require to assume the liabilities in an orderly transaction. Fair value has been determined based on the Solvency II best estimate liability, together with an additional margin for risk calculated using a cost of capital approach. The Solvency II best estimate liability utilises economic assumptions based on relevant market information, together with non-economic assumptions including lapse rates, expenses and mortality rates.

### **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 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 discretionary fund management (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, both of which are alternative performance measures. Further details can be found within the Glossary of Alternative Performance Measures section.

#### **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 2023	Year ended 31 December 2022 <sup>1</sup>
	£'Million	£'Million
<b>Underlying cash result after tax</b>	<b>392.4</b>	410.1
Equity-settled share-based payments	(5.4)	(20.5)
Deferred tax impacts	(24.9)	(30.5)
Ongoing Service Evidence provision	(323.7)	-
Impact in the year of DAC/DIR/PVIF	3.1	(9.3)
Impact of policyholder tax asymmetry (see Note 4) <sup>1</sup>	(44.4)	50.6
Other <sup>2</sup>	(7.0)	6.8
<b>IFRS (loss)/profit after tax</b>	<b>(9.9)</b>	407.2
Shareholder tax <sup>2</sup>	5.4	96.7
<b>(Loss)/profit before tax attributable to shareholders' returns</b>	<b>(4.5)</b>	503.9
Tax attributable to policyholder returns	444.1	(501.1)
<b>IFRS profit before tax</b>	<b>439.6</b>	2.8

1 Further information on policyholder tax asymmetry can also be found in Section 2.1 of the financial review.

2 Restated to reflect the adoption of IFRS 17. See Note 1a.

### EEV operating profit

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

	Year ended 31 December 2023	Year ended 31 December 2022 <sup>1</sup>
	£'Million	£'Million
EEV operating (loss)/profit before tax after exceptional items	(1,891.6)	1,589.7
Investment return variance	501.7	(1,314.0)
Economic assumption changes	2.5	235.1
<b>EEV (loss)/profit before tax</b>	<b>(1,387.4)</b>	510.8
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) <sup>1</sup>	2,769.6	105.6
Movement of balance sheet unit trust and DFM value of in-force business (net of tax)	226.0	(94.9)
Movement of balance sheet other value of in-force business (net of tax)	(1,918.9)	-
Tax on movement in value of in-force business	309.4	(14.4)
<b>(Loss)/profit before tax attributable to shareholders' returns</b>	<b>(4.5)</b>	503.9
Tax attributable to policyholder returns	444.1	(501.1)
<b>IFRS profit before tax</b>	<b>439.6</b>	2.8

1 Restated to reflect the adoption of IFRS 17. See Note 1a.

The movement in life, unit trust and DFM, and other 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 2023	31 December 2022 <sup>1</sup>
	£'Million	£'Million
Investment	35,990.0	33,290.0
Pension	87,320.0	73,860.0
Unit trust/ISA and DFM	44,890.0	41,220.0
<b>Total FUM</b>	<b>168,200.0</b>	148,370.0
Exclude client and third-party holdings in non-consolidated unit trusts and DFM	(4,360.4)	(4,407.3)
Other	3,968.2	4,153.6
<b>Group assets held to cover unit liabilities</b>	<b>167,807.8</b>	148,116.3

<b>Gross assets held to cover unit liabilities</b>	<b>10,007.0</b>	<b>146,110.5</b>
IFRS intangible assets <sup>1</sup>	<b>399.6</b>	476.9
Shareholder gross assets	<b>4,085.7</b>	3,092.3
<b>Total assets</b>	<b>172,293.1</b>	151,685.5

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

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

	<b>Year ended 31 December 2023</b>	Year ended 31 December 2022
	<b>£'Million</b>	£'Million
Advice charges (post RDR)	<b>954.3</b>	987.6
Third-party fee and commission income	<b>132.4</b>	131.9
Wealth management fees <sup>1</sup>	<b>1,065.0</b>	1,014.4
Investment management fees	<b>68.4</b>	60.8
Fund tax deductions/(refunds)	<b>444.1</b>	(501.1)
Policyholder tax asymmetry	<b>(44.4)</b>	50.6
Discretionary fund management fees	<b>23.6</b>	23.4
<b>Fee and commission income before DIR amortisation</b>	<b>2,643.4</b>	1,767.6
Amortisation of DIR	<b>145.5</b>	162.0
<b>Total fee and commission income</b>	<b>2,788.9</b>	1,929.6

<sup>1</sup> Restated to reclassify balances between wealth management fees and movement in investment contract benefits. See Note 1a.

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 deductions/(refunds) represent amounts credited to, or deducted from, the life insurance business to match policyholder tax credits or charges. Market conditions will impact the level of fund tax deductions/(refunds). This may lead to significant year on year movements when markets are volatile.

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/(refunds)' 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 it will unwind as future cash flows become less uncertain and are ultimately realised.

Market conditions and other macroeconomic factors will impact the level of asymmetry experienced in a year and may be significant where there is volatility. These drivers in 2023 resulted in a significant negative movement reversing the positive impact seen in 2022.

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

**Investment return**

	Year ended 31 December 2023	Year ended 31 December 2022
	£'Million	£'Million
Attributable to unit-linked investment contract benefits:		
Rental income	69.9	70.1
Loss on revaluation of investment properties	(44.9)	(244.5)
Net investment return on financial instruments classified as fair value through profit and loss <sup>1</sup>	13,013.4	(9,416.3)
	<b>13,038.4</b>	<b>(9,590.7)</b>
Income/(expense) attributable to third-party holdings in unit trusts	3,092.5	(4,168.7)
	<b>16,130.9</b>	<b>(13,759.4)</b>
<b>Investment return on net assets held to cover unit liabilities</b>		
Net investment return on financial instruments classified as fair value through profit and loss <sup>2</sup>	60.2	(8.2)
Net investment return on financial instruments held at amortised cost <sup>2</sup>	6.5	9.7
Investment return on shareholder assets	66.7	1.5
	<b>16,197.6</b>	<b>(13,757.9)</b>

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

<sup>2</sup> Restated to reclassify interest received on business loans to Partners and shareholder cash and cash equivalents to other finance income.

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 £1,499.1 million (2022: £1,216.0 million).

**Movement in investment contract benefits**

	2023	2022
	£'Million	£'Million
Balance at 1 January	106,964.7	110,349.8
Deposits	11,842.3	12,194.6
Withdrawals	(7,459.6)	(5,645.1)
Movement in unit-linked investment contract benefits	13,038.4	(9,590.7)
Fees and other adjustments	(1,236.0)	(343.9)
<b>Balance at 31 December</b>	<b>123,149.8</b>	<b>106,964.7</b>
Current	6,584.5	5,546.3
Non-current	116,565.3	101,418.4
	<b>123,149.8</b>	<b>106,964.7</b>
<b>Movement in unit liabilities</b>		
Unit-linked investment contract benefits	13,038.4	(9,590.7)
Third-party unit trust holdings	3,092.5	(4,168.7)
<b>Movement in investment contract benefits in the Consolidated Statement of Comprehensive Income</b>	<b>16,130.9</b>	<b>(13,759.4)</b>

**6. Income and deferred taxes**

**Tax for the year**

	Year ended 31 December 2023	Year ended 31 December 2022
	£'Million	£'Million
<b>Current tax</b>		
UK corporation tax		
- Current year charge	222.8	66.0
- Adjustment in respect of prior year	(0.5)	3.5
Overseas taxes		
- Current year charge	2.9	10.2
- Adjustment in respect of prior year	0.1	-
	<b>225.3</b>	<b>79.7</b>
<b>Deferred tax</b>		
	<b>242.4</b>	<b>(504.0)</b>

Unrealised capital gains/(losses) in unit-linked funds	245.4	(504.0)
Unrelieved expenses		
- Additional expenses recognised in the year	-	(9.9)
- Utilisation in the year	11.3	11.4
Capital losses		
- Revaluation in the year	-	4.0
- Utilisation in the year	2.2	25.2
- Adjustment in respect of prior year	(0.1)	(4.5)
DAC, DIR and PVIF	(7.8)	(8.5)
Share-based payments	8.1	3.3
Renewal income assets	(1.4)	(3.0)
Fixed asset timing differences	2.6	1.0
UK trading losses	(36.1)	-
Other items <sup>1</sup>	1.8	(1.2)
Overseas losses	0.3	0.1
Adjustment in respect of prior year	(0.1)	2.0
	224.2	(484.1)
<b>Total tax charge/(credit) for the year</b>	<b>449.5</b>	<b>(404.4)</b>
<b>Attributable to:</b>		
- policyholders	444.1	(501.1)
- shareholders	5.4	96.7
	449.5	(404.4)

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

The prior year adjustment of £0.4 million credit in current tax above represents a £1.4 million credit in respect of policyholder tax (2022: £7.3 million charge) and a charge of £1.0 million in respect of shareholder tax (2022: £3.8 million credit). The prior year adjustment of £0.2 million credit in deferred tax above represents £nil in respect of policyholder tax (2022: £nil) and a credit of £0.2 million in respect of shareholder tax (2022: £2.5 million credit).

In arriving at the profit before tax attributable to shareholders' returns, it is necessary to estimate the distribution of the total tax charge/(credit) 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/(credit) 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 2023		Year ended 31 December 2022	
	£'Million		£'Million	
Profit before tax <sup>1</sup>	439.6		2.8	
Tax attributable to policyholders' returns	(444.1)		501.1	
<b>(Loss)/profit before tax attributable to shareholders' returns</b>	<b>(4.5)</b>		503.9	
Shareholder tax (credit)/charge at corporate tax rate of 23.5% (2022: 19%)	(1.1)	23.5%	95.7	19.0%
Adjustments:				
Lower rates of corporation tax in overseas subsidiaries	(1.8)	39.4%	(1.3)	(0.3%)
<b>Expected shareholder tax</b>	<b>(2.9)</b>	<b>62.9%</b>	94.4	18.7%
Effects of:				
Non-taxable income	(2.5)		(1.5)	
Revaluation of historic capital losses in the Group	-		4.0	
Adjustment in respect of prior year				
- Current tax	1.0		(3.8)	
- Deferred tax	(0.2)		(2.5)	
Differences in accounting and tax bases in relation to employee share schemes	0.3		2.5	
Impact of difference in tax rates between current and deferred tax	(2.3)		(3.0)	
Disallowable expenses	4.3		5.6	
Provision for future liabilities	5.1		0.5	
Tax losses not recognised	1.9		2.2	
Other <sup>1</sup>	0.7		(1.7)	

	<b>8.3 (182.9%)</b>	2.5	0.5%
<b>Shareholder tax charge</b>	<b>5.4 (120.0%)</b>	96.7	19.2%
<b>Policyholder tax charge/(credit)</b>	<b>444.1</b>	(501.1)	
<b>Total tax charge/(credit) for the year</b>	<b>449.5</b>	(404.4)	

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

Tax calculated on profit before tax at 23.5% (2022: 19%) would amount to a charge of £103.3 million (2022: charge of £0.5 million). The difference of £346.2 million (2022: £404.9 million) between this number and the total tax charge of £449.5 million (2022: £404.4 million credit) is made up of the reconciling items above which total a charge of £6.5 million (2022: £1.0 million charge) and the effect of the apportionment methodology on tax applicable to policyholder returns of £339.7 million (2022: £405.9 million).

#### Tax paid in the year

	Year ended 31 December 2023	Year ended 31 December 2022
	£'Million	£'Million
Current tax charge for the year	225.3	79.7
Refunds due to be received in future years in respect of current year	1.7	39.5
(Refunds received)/payments made in current year in respect of prior years	(39.7)	1.6
Other	(7.9)	0.3
<b>Tax paid</b>	<b>179.4</b>	<b>121.1</b>
Tax paid can be analysed as:		
- Taxes paid in UK	156.4	110.1
- Taxes paid in overseas jurisdictions	6.2	3.9
- Withholding taxes suffered on investment income received	16.8	7.1
<b>Total</b>	<b>179.4</b>	<b>121.1</b>

#### Deferred tax balances

##### Deferred tax assets

	As at 1 January 2023 <sup>1</sup>	Utilised and created in year	Credit/(charge) to the Statement of Comprehensive Income Total credit/(charge)	Impact of acquisitions	Reanalysis to deferred tax liabilities	As at 31 December 2023	Expected utilisation period As at 31 December 2023
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	
Deferred acquisition costs (DAC)	(20.4)	1.8	1.8	-	-	(18.6)	14 years
Deferred income (DIR)	37.7	(2.6)	(2.6)	-	-	35.1	14 years
Fixed asset temporary differences	3.9	(2.6)	(2.6)	-	-	1.3	6 years
Renewal income assets	(20.7)	1.5	1.5	(0.7)	-	(19.9)	20 years
Share-based payments	12.9	(8.1)	(8.1)	-	-	4.8	3 years
UK trading losses	-	36.1	36.1	-	-	36.1	1 years
Other temporary differences <sup>1</sup>	(0.9)	(2.3)	(2.3)	0.9	-	(2.3)	-
<b>Total</b>	<b>12.5</b>	<b>23.8</b>	<b>23.8</b>	<b>0.2</b>	<b>-</b>	<b>36.5</b>	

	As at 1 January 2022	Utilised and created in year	(Charge)/credit to the Statement of Comprehensive Income Total (charge)/credit	Impact of acquisitions	Reanalysis to deferred tax liabilities	As at 31 December 2022 <sup>1</sup>	Expected utilisation period As at 31 December 2022
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	
Deferred acquisition costs (DAC)	(21.6)	1.2	1.2	-	-	(20.4)	14 years
Deferred Income (DIR)	37.8	(0.1)	(0.1)	-	-	37.7	14 years
Fixed asset temporary differences	7.8	(3.9)	(3.9)	-	-	3.9	6 years
Renewal income assets	(19.4)	3.1	3.1	(4.4)	-	(20.7)	20 years
Share-based payments	16.2	(3.3)	(3.3)	-	-	12.9	3 years
Other temporary differences <sup>1</sup>	(1.3)	0.9	0.9	-	(0.5)	(0.9)	-
<b>Total</b>	<b>19.5</b>	<b>(2.1)</b>	<b>(2.1)</b>	<b>(4.4)</b>	<b>(0.5)</b>	<b>12.5</b>	

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

##### Deferred tax liabilities

Expected

As at 1 January 2023	Charge/(credit) to the statement of Comprehensive Income					Expected utilisation period	
	Utilised and created in year	Impact of tax rate change	Total charge/(credit)	Impact of acquisitions	Reanalysis from deferred tax assets	As at 31 December 2023	As at 31 December 2023
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million
Capital losses (available for future relief)	(2.1)	2.1	-	2.1	-	-	-
Deferred acquisition costs (DAC)	20.2	(7.9)	-	(7.9)	-	-	14 years
Purchased value of in-force business (PVIF)	2.8	(0.8)	-	(0.8)	-	-	2 years
Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	180.1	243.3	-	243.3	-	-	6 years
Unrelieved expenses on life insurance business	(37.5)	11.3	-	11.3	-	(26.2)	5 years
Other temporary differences	(0.6)	0.1	-	0.1	0.7	-	-
<b>Total</b>	<b>162.9</b>	<b>248.1</b>	<b>-</b>	<b>248.1</b>	<b>0.7</b>	<b>-</b>	<b>411.7</b>

As at 1 January 2022	Charge/(credit) to the statement of Comprehensive Income					Expected utilisation period		
	Utilised and created in year	Impact of tax rate change	Total charge/(credit)	Impact of acquisitions	Reanalysis from deferred tax assets	As at 31 December 2022	As at 31 December 2022	
	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	£ Million	
Capital losses (available for future relief)	(26.8)	20.7	4.0	24.7	-	-	(2.1)	1 year
Deferred acquisition costs (DAC)	28.0	(7.8)	-	(7.8)	-	-	20.2	14 years
Purchased value of in-force business (PVIF)	3.4	(0.6)	-	(0.6)	-	-	2.8	3 years
Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	684.1	(504.0)	-	(504.0)	-	-	180.1	6 years
Unrelieved expenses on life insurance business	(39.1)	1.6	-	1.6	-	-	(37.5)	6 years
Other temporary differences	0.2	(0.3)	-	(0.3)	-	(0.5)	(0.6)	-
<b>Total</b>	<b>649.8</b>	<b>(490.4)</b>	<b>4.0</b>	<b>(486.4)</b>	<b>-</b>	<b>(0.5)</b>	<b>162.9</b>	

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.

During the year the Group have fully utilised the shareholder capital losses. The Group do not expect further material capital losses to arise in the future.

At the reporting date there were unrecognised deferred tax assets of £17.3 million (2022: £15.0 million) in respect of £101.9 million (2022: £92.1 million) of losses in companies where appropriate profits are not considered probable in the forecast period. These losses primarily relate to the Group's Asia-based businesses and can be carried forward indefinitely.

#### Future tax changes

The main rate of corporation tax has increased from 19% to 25% with effect from 1 April 2023. The Group has applied a blended rate of 23.5% for the year ended 31 December 2023.

#### IFRS 17

The transitional adjustment arising from the restatement of the 31 December 2022 balance sheet on adoption of IFRS 17 is to be spread evenly for tax purposes over 10 years in the UK, and 5 years in Ireland. As a result, a total opening deferred tax liability of £1.8 million has been recognised in respect of St. James's Place UK plc (£0.4 million) and St. James's Place International plc (£1.4 million) at the relevant expected future tax rate applicable to the jurisdiction of 25% (UK) and 12.5% (Ireland). Whilst this is a deferred tax liability, it was adjusted for within other temporary differences in deferred tax assets due to the offsetting principle. Following the unwind during the year of £0.3m, the remaining balance as at 31 December 2023 is £1.5 million (being £1.1 million in respect of St. James's Place International plc and £0.4 million in respect of St. James's Place UK plc).

## Pillar Two - Global minimum tax

Effective from 1 January 2024, the Group will be subject to the Global minimum tax rules introduced by the Organisation for Economic Co-operation and Development (OECD) and adopted into local legislation of various territories in which the Group operates; including the UK and Ireland. The Group expects to be subject to top-up tax in relation to its operations in Ireland, where the statutory corporate tax rate is 12.5%. As a result of the Introduction of this minimum tax rule, Ireland have introduced a Qualifying Domestic Minimum Top-up Tax which will Increase the effect tax rate of in scope businesses to 15% - the Group expects the Irish profits to be in scope for this.

If the top-up tax had been applied during the year ended 31 December 2023, then the amount to be assessed on profits relating to the Group's operations in Ireland would have been immaterial.

The Group has applied the exemption afforded by the International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12), and as such does not recognise deferred tax impacts of any future top-up tax.

## 7. Other receivables

	31 December 2023	31 December 2022
	£'Million	£'Million
Receivables in relation to unit liabilities excluding policyholder interests <sup>1</sup>	956.0	440.5
Other receivables in relation to insurance and unit trust business <sup>2</sup>	151.9	75.8
Operational readiness prepayment	283.5	278.3
Advanced payments to Partners	127.4	83.8
Other prepayments and accrued income <sup>1</sup>	37.9	40.8
Business loans to Partners	408.0	315.6
Renewal income assets	138.3	115.5
Miscellaneous	44.3	18.9
<b>Total other receivables on the Solvency II Net Assets Balance Sheet</b>	<b>2,147.3</b>	<b>1,369.2</b>
Policyholder interests in other receivables	846.9	1,604.8
Other	3.2	3.2
<b>Total other receivables</b>	<b>2,997.4</b>	<b>2,977.2</b>
Current	2,243.8	2,357.4
Non-current	753.6	619.8
	<b>2,997.4</b>	<b>2,977.2</b>

<sup>1</sup> Receivables in relation to unit liabilities excluding policyholder interests and other prepayments and accrued income have been re-presented to better reflect the nature of the balances included. Receivables in relation to unit liabilities excluding policyholder interests has increased £43.5 million and other prepayments and accrued income decreased £43.5 million.

<sup>2</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

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 consists of directly invoiced operational readiness costs advanced and 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 2023	31 December 2022
	£'Million	£'Million
Business loans to Partners directly funded by the Group	340.8	315.6
Securitised business loans to Partners	67.2	-
<b>Total business loans to Partners</b>	<b>408.0</b>	<b>315.6</b>

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 Partners.

During 2022, £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 (totalling £276.3 million), selling 95% of the full individual loans within that portfolio (realising proceeds of £262.5 million) without recourse 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 of 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 expenses 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. 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 10 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 2023	297.1	17.7	4.6	319.4
Business loans to Partners classification changes:				
- Transfer to underperforming	(11.9)	11.9	-	-
- Transfer to non-performing	(3.2)	(0.2)	3.4	-
- Transfer to performing	4.2	(3.5)	(0.7)	-
New lending activity during the year	195.0	16.9	0.7	212.6
Interest charged during the year	26.2	3.1	0.8	30.1
Repayment activity during the year	(147.7)	(1.3)	(0.3)	(149.3)
<b>Gross balance at 31 December 2023</b>	<b>359.7</b>	<b>44.6</b>	<b>8.5</b>	<b>412.8</b>

	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

During the year the Group experienced an increase in stage 2 - underperforming as a result of higher interest rates and the challenging operating environment having an impact on Partners' ability to meet loan repayments in full.

#### Business loans to Partners: provision

The following table shows the movement in the provision for business loans to Partners during the year:



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 in the prior year, full credit risk was transferred.

The provision held against business loans to Partners as at 31 December 2023 was £4.8 million (2022: £3.8 million). During the year, £0.2 million of the provision was released (2022: £0.3 million), £3.4 million was utilised (2022: £0.2 million) and new provisions and adjustments to existing provisions increased the total by £4.6 million (2022: £0.3 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 2023	31 December 2022
	£'Million	£'Million
Gross business loans to Partners	412.8	319.4
Provision	(4.8)	(3.8)
<b>Net business loans to Partners</b>	<b>408.0</b>	<b>315.6</b>

#### Renewal income assets

##### Movement in renewal income assets

	2023	2022
	£'Million	£'Million
Balance at 1 January	115.5	102.5
Additions	32.0	36.1
Disposals	(2.1)	(7.8)
Revaluation	(7.1)	(15.3)
<b>Balance at 31 December</b>	<b>138.3</b>	<b>115.5</b>

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

	31 December 2023	31 December 2022
Lapse rate - SJP Partner renewal income <sup>1</sup>	<b>5.0% to 15.0%</b>	5.0% to 15.0%
Lapse rate - non-SJP renewal income <sup>1</sup>	<b>6.5% to 25.0%</b>	15.0% to 25.0%
Discount rate	<b>11.8%</b>	12.0% to 13.7%

<sup>1</sup> 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 2023	31 December 2022
	£'Million	£'Million
Payables in relation to unit liabilities excluding policyholder interests	437.1	326.2
Other payables in relation to insurance and unit trust business <sup>1</sup>	738.6	399.9
Accrual for ongoing advice fees	150.0	133.2
Other accruals	101.1	105.8
Contract payment	84.2	95.8
Lease liabilities: properties	120.5	116.6
Other payables in relation to Partner payments	75.1	74.8
Miscellaneous	50.4	67.3
<b>Total other payables on the Solvency II Net Assets Balance Sheet</b>	<b>1,757.0</b>	<b>1,319.6</b>
Policyholder interests in other payables	613.3	842.0
Other (see adjustment 2)	17.8	19.1
<b>Total other payables</b>	<b>2,388.1</b>	<b>2,180.7</b>
Current <sup>1</sup>	2,212.9	2,000.6
Non-current	175.2	180.1
	<b>2,388.1</b>	<b>2,180.7</b>

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

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 £84.2 million (2022: £95.8 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. Other provisions and contingent liabilities

	Complaints provision	Ongoing Service Evidence provision	Lease provision	Clawback provision	Total provisions
	£Million	£Million	£Million	£Million	£Million
At 1 January 2022	30.9	-	10.0	3.2	44.1
Additional provisions	28.5	-	3.5	-	32.0
Utilised during the year	(14.0)	-	(0.1)	(0.2)	(14.3)
Release of provision	(15.7)	-	(0.1)	-	(15.8)
<b>At 31 December 2022</b>	<b>29.7</b>	<b>-</b>	<b>13.3</b>	<b>3.0</b>	<b>46.0</b>
<b>Additional provisions</b>	<b>61.8</b>	<b>426.0</b>	<b>2.6</b>	<b>0.1</b>	<b>490.5</b>
<b>Utilised during the year</b>	<b>(21.0)</b>	<b>-</b>	<b>(0.8)</b>	<b>-</b>	<b>(21.8)</b>
<b>Release of provision</b>	<b>(14.4)</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>	<b>(14.6)</b>
<b>At 31 December 2023</b>	<b>56.1</b>	<b>426.0</b>	<b>14.9</b>	<b>3.1</b>	<b>500.1</b>

### Other provisions

#### Complaints provision

The complaints provision is based on complaints identified, an assessment of the proportion upheld, estimated cost of redress and the expected timing of settlement. The Group expects significantly all of the provision to be utilised within one year. See contingent liabilities below for further information on the movement in the year.

#### Ongoing Service Evidence provision

During the year the Group has experienced elevated levels of complaints in connection with the delivery of historic ongoing advice services.

Given the claims experience, a skilled person was engaged to undertake an initial assessment of a statistically credible representative cohort of clients to explore whether issues raised by the complaints were replicated across the wider client base. Following the assessment, the Group has committed to review the sub-population of clients that has been charged for ongoing servicing since the start of 2018 but where the evidence of delivery falls below the acceptable standard. Where the standard of evidence is deemed by the Group to be marginal the Group will invite clients to join the review (the "Opt-In population"), but where the standard of evidence is deemed to be poor the Group will include clients in the review unless instructed otherwise (the "Opt-Out population").

The provision that has been recognised includes an estimated refund of charges, together with interest at FOS rates, plus the administration costs associated with completing this work. Allowance is also made for discounting over the expected duration of the exercise.

A provision of £426.0 million has been recognised at 31 December 2023 with the best estimate assessment based on extrapolation of the experience of the statistically credible representative cohort of clients.

IAS 37 and IAS 1 requires the Group to set out sensitivities. In compliance with these requirements, the following table sets out the potential change to the provision balance at 31 December 2023 if the key assumptions were to vary as described:

Sensitivity analysis	Change in profit/(loss) before tax		
	Change in assumption	Favourable changes	Unfavourable changes
	Percentage	£Million	£Million
Extrapolation from a representative cohort			
- Variation in proportion of client population subject to the review	2%	22.0	(22.0)

Extrapolation from a representative cohort			
- Variation in the level of charges, based on average client FUM, subject to refund	10%	31.0	(31.0)
Opt-In response rate			
- Variation in response rate	10%	17.0	(17.0)
Administration costs			
- Change in estimation of the cost to fulfil the exercise (cost per claim)	10%	12.0	(12.0)

It is estimated that significantly all the provision will be utilised over a two-to-three-year period from the reporting date.

#### Lease provision

The lease provision represents the value of expected future costs of reinstating leased property to its original condition at the end of the lease term. The estimate is based on the square footage of leased properties and typical costs per square foot of restoring similar buildings to their original state. The Group expects £1.5 million (2022: £1.6 million) of the provision to be utilised within one year. The majority of the provision relates to leased property with a maturity date of greater than five years.

#### Clawback provision

The clawback provision represents amounts due to third-parties less amounts recovered from Partners. The provision is based on estimates of the indemnity commission that may be repaid. The Group expects to utilise the provision on a straight-line basis over four years.

With the exception of the Ongoing Service Evidence provision, it is considered that no reasonably possible level of changes in estimates would have a material impact on the value of the best estimate of the provisions.

#### Contingent liabilities

##### Complaints and disputes

The Group is committed to achieving good client outcomes but does, in the normal course of business receive complaints and claims. Also, and as described in the Strategic Report, the FCA continues to reinforce the need for Firms to embed the Consumer Duty regulation and there remains a risk that we fail to provide quality suitable advice to clients, or that we fail to evidence the provision of good quality service and advice, which could result in regulatory sanction and/or a need to refund or compensate clients.

The costs, including legal costs, of these issues as they arise can be significant and where appropriate, provisions have been established in accordance with IAS 37.

#### Guarantees

During the normal course of business, the Group may from time to time provide guarantees to Partners, clients or other third parties. However, based upon the information currently available to them, the Directors do not believe there are any guarantees which would have a material adverse effect on the Group's financial position, and so the fair value of any guarantees has been assessed as £nil (2022: £nil).

For further information, see the list of principal risks and uncertainties in the Risk and risk management section of the Strategic report.

## 10. 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 2023	31 December 2022
	£'Million	£'Million
Corporate borrowings: bank loans	50.0	-
Corporate borrowings: loan notes	151.1	163.8
<b>Senior unsecured corporate borrowings</b>	<b>201.1</b>	<b>163.8</b>

The primary senior unsecured corporate borrowings are:

- a revolving credit facility of £345 million which is repayable at maturity in 2028 with a variable interest rate. At 31 December 2023 the undrawn credit available under this facility was £295 million (2022: £345 million);
- a Note Purchase Agreement for £51.1 million, which had the first annual instalment of £12.8 million repaid in 2023. The notes are repayable in four further annual instalments 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 financial covenants were complied with. The Group is currently in discussion with a number of lenders regarding some routine disclosure matters and expects these matters to be satisfactorily concluded shortly.

As at 31 December 2023 and 31 December 2022 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 2023	31 December 2022
	£'Million	£'Million
Senior unsecured corporate borrowings	201.1	163.8
Senior tranche of non-recourse securitisation loan notes	50.3	-
<b>Total borrowings</b>	<b>251.4</b>	163.8
Current	62.0	12.8
Non-current	189.4	151.0
	<b>251.4</b>	163.8

Following the full loan sale to a third party conducted in late 2022, the facility was renegotiated and extended effective February 2023. The facility has been utilised to purchase more eligible loans throughout 2023, and the associated senior notes are repayable over the expected life of the securitisation (estimated to be five years) with a variable interest rate. They are held by a third-party investor 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 2023	31 December 2022
	£'Million	£'Million
Junior tranche of non-recourse securitisation loan notes	20.9	2.1
Senior tranche of non-recourse securitisation loan notes	50.3	-
<b>Total non-recourse securitisation loan notes</b>	<b>71.2</b>	2.1
<b>Backed by</b>		
Securitised business loans to Partners (see Note 7)	67.2	-
Other net assets of SJP Partner Loans No.1 Limited	4.0	2.1
<b>Total net assets held by SJP Partner Loans No.1 Limited</b>	<b>71.2</b>	2.1

#### 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
	2023	2023	2023	2022	2022	2022
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Balance at 1 January	163.8	-	163.8	270.6	162.4	433.0
Additional borrowing during the year	175.0	58.1	233.1	145.0	59.0	204.0
Repayment of borrowings during the year	(137.7)	(7.1)	(144.8)	(252.0)	(223.3)	(475.3)
Costs on additional borrowings during the year	-	-	-	(1.6)	-	(1.6)
Unwind of borrowing costs (non-cash movement)	-	-	-	0.6	0.5	1.1
Reclassification of prepaid loan facility expense to prepayments	-	(0.7)	(0.7)	1.2	1.4	2.6
<b>Balance at 31 December</b>	<b>201.1</b>	<b>50.3</b>	<b>251.4</b>	163.8	-	163.8

The fair value of the outstanding borrowings is not materially different from amortised cost. Interest expense on borrowings is recognised within

Other finance income 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 2023	31 December 2022	31 December 2023	31 December 2022
	£'Million	£'Million	£'Million	£'Million
Bank of Scotland	19.6	28.7	35.0	70.0
Investec	33.3	28.8	50.0	50.0
Metro Bank	17.6	27.3	50.0	40.0
NatWest	32.2	37.9	75.0	75.0
Santander	186.5	167.7	189.1	179.0
<b>Total loans</b>	<b>289.2</b>	<b>290.4</b>	<b>399.1</b>	<b>414.0</b>

The fair value of these guarantees has been assessed as £nil (2022: £nil).

## 11. Cash generated from operations

	Year ended 31 December 2023	Year ended 31 December 2022
	£'Million	£'Million
<b>Cash flows from operating activities</b>		
Profit before tax for the year <sup>1</sup>	439.6	2.8
Adjustments for:		
Amortisation of purchased value of in-force business	3.2	3.2
Amortisation of computer software	15.4	9.3
Depreciation	24.0	21.7
Impairment of goodwill	-	1.5
Loss on disposal of computer software	0.8	0.5
Loss on disposal of property and equipment, including leased assets	2.3	0.9
Gain on disposal of subsidiary	(1.2)	-
Share-based payment charge	4.9	20.5
Interest income	(108.0)	(61.8)
Interest expense	17.3	12.4
Increase in provisions	454.1	1.9
Exchange rate losses/(gains)	2.3	(0.7)
	<b>415.1</b>	<b>9.4</b>
<b>Changes in operating assets and liabilities</b>		
Decrease in deferred acquisition costs	32.2	42.3
Decrease in investment property	184.2	274.0
(Increase)/decrease in other investments	(21,077.2)	2,378.9
Decrease in reinsurance assets <sup>1</sup>	41.6	20.2
Increase in other receivables <sup>1,2</sup>	(14.2)	(40.6)
Increase/(decrease) in insurance contract liabilities <sup>1</sup>	25.5	(98.1)
Increase/(decrease) in financial liabilities (excluding borrowings)	15,991.8	(1,138.3)
Decrease in deferred income	(38.9)	(32.2)
Increase/(decrease) in other payables <sup>1</sup>	206.2	(390.4)
Increase/(decrease) in net assets attributable to unit holders	3,908.1	(1,740.6)
	<b>(740.7)</b>	<b>(724.8)</b>
<b>Cash generated from/(used in) operations<sup>2</sup></b>	<b>114.0</b>	<b>(712.6)</b>

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

2 Restated to reclassify Proceeds from sale of financial assets held at amortised cost from net cash flows from investing activities to net cash flows from operating activities. See Note 1a.

## 12. Share capital, earnings per share and dividends

### Share capital

	Number of ordinary shares	Called-up share capital £'Million
At 1 January 2022	540,530,529	81.1
- Issue of shares	459,028	0.1
- Exercise of options	3,246,200	0.4
<b>At 31 December 2022</b>	<b>544,235,757</b>	<b>81.6</b>
- Issue of shares	-	-
- Exercise of options	4,369,037	0.7
<b>At 31 December 2023</b>	<b>548,604,794</b>	<b>82.3</b>

Ordinary shares have a par value of 15 pence per share (2022: 15 pence per share) and are fully paid.

Included in the issued share capital are 3,411,743 (2022: 2,207,186) shares held in the Shares in trust reserve with a nominal value of £0.5 million (2022: £0.3 million). The shares are held by the SIP Employee Share Trust and the St. James's Place 2010 SIP Trust to satisfy certain share-based payment schemes. The Trustees of the SIP 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 1,896,985 shares at 31 December 2023 and 815,737 shares at 31 December 2022. The trustees of St. James's Place 2010 SIP Trust have chosen to waive their entitlement to the dividend on 556 shares at 31 December 2023 (2022: nil).

Share capital increases are included within the exercise of options line in 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 2023 £'Million	Year ended 31 December 2022 £'Million
<b>Earnings</b>		
Profit after tax attributable to equity shareholders (for both basic and diluted EPS) <sup>1</sup>	(10.1)	406.8
	<b>Million</b>	<b>Million</b>
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares in issue (for basic EPS)	547.6	542.7
Adjustments for outstanding share options	8.8	5.1
<b>Weighted average number of ordinary shares (for diluted EPS)</b>	<b>556.4</b>	<b>547.8</b>
	<b>Pence</b>	<b>Pence</b>
Earnings per share (EPS)		
Basic earnings per share <sup>1</sup>	(1.8)	75.0
Diluted earnings per share <sup>1</sup>	(1.8)	74.3

<sup>1</sup> Restated to reflect the adoption of IFRS 17. See Note 1a.

### Dividends

The following dividends have been paid by the Group:

	Year ended 31 December 2023 Pence per share	Year ended 31 December 2022 Pence per share	Year ended 31 December 2023 £'Million	Year ended 31 December 2022 £'Million
Final dividend in respect of 2021	-	40.41	-	218.9
Interim dividend in respect of 2022	-	15.59	-	84.7
Final dividend in respect of 2022	37.19	-	203.1	-
Interim dividend in respect of 2023	15.83	-	86.5	-
<b>Total dividends</b>	<b>53.02</b>	<b>56.00</b>	<b>289.6</b>	<b>303.6</b>

In respect of 2023 the Directors have recommended a 2023 final dividend of 8.00 pence per share. This amounts to £43.9 million and will, subject to shareholder approval at the Annual General Meeting, be paid on 24 May 2024 to those shareholders on the register as at 26 April 2024.

### 13. Related party transactions

#### Transactions with associates and non-wholly owned subsidiaries

##### Associates

Outstanding at the year-end were business loans of £2.9 million (2022: £1.2 million) to associates of the Group. During the year £1.6 million (2022: £0.3 million) was advanced and £1.8 million (2022: £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 2023 (2022: £nil).

In addition, commission, advice fees and other payments of £2.3 million were paid (2022: £0.4 million paid), under normal commercial terms, to associates of the Group. The outstanding amount at 31 December 2023 was £0.5 million payable (2022: £nil).

##### Non-wholly owned subsidiaries

Commission, advice fees and other payments of £3.8 million were paid (2022: £4.3 million paid), under normal commercial terms, to non-wholly-owned Group companies. The outstanding amount at 31 December 2023 was £0.6 million payable (2022: £0.1 million receivable).

#### Transactions with key management personnel

Key management personnel have been defined as the Board of Directors and members of the Group Executive Committee. 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 2023	Year ended 31 December 2022
	£'Million	£'Million
Short-term employee benefits	5.0	6.3
Post-employment benefits	0.5	0.5
Share-based payments	0.2	6.5
<b>Total</b>	<b>5.7</b>	<b>13.3</b>

The total value of Group FUM held by related parties of the Group as at 31 December 2023 was £17.9 million (2022: £41.1 million). The total value of St. James's Place plc dividends paid to related parties of the Group during the year was £1.0 million (2022: £0.8 million).

During 2022 total consideration of £20.3 million was agreed under normal commercial terms to key management personnel and their connected parties for the acquisition of Edwards Wealth Ltd (formerly JEWL Ltd). As at 31 December 2023 there was deferred contingent consideration outstanding of £nil (2022: £3.2 million), with £3.2 million deferred contingent consideration paid during the year (2022: £nil).

Commission, advice fees and other payments of £1.3 million (2022: £3.2 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 2023 was £nil (2022: £0.1 million).

Outstanding at the year-end were Partner loans of £nil (2022: £nil) 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 £nil (2022: £0.5 million) was advanced and £0.1 million (2022: £3.0 million) was repaid by advisers who were related parties.

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 Partners. Interest of £nil was received during 2023 (2022: £0.1 million).

### 14. Events after the end of the reporting period

On the 27 February 2024, the Company signed an external debt facility for £250.0 million. Debt drawn is repayable over 2 years at a margin over a variable interest rate.

### 15. Non-statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the registrar of companies, and those for 2023 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.

## 16. Annual Report

The Company's Annual Report and Accounts for the year ended 31 December 2023 is expected to be posted to shareholders by 9 April 2024. 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](http://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
<b>Solvency II net assets</b>	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 the Reconciliation of Cash result experiences to IFRS expenses.
<b>Total embedded value</b>	A discounted cash flow valuation methodology, assessing the long-term economic value of the business.  Our embedded value is determined in line with the European Embedded Value (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 the total economic value of the Group is useful to investors.	Not applicable.
<b>EEV net asset value (NAV) per share</b>	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 EEV NAV per share allows analysis of the overall value of the Group by share.	Not applicable.
<b>IFRS NAV per share</b>	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 IFRS 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
<b>Cash result, and Underlying</b>	The Cash result is defined as the movement between the opening and closing Solvency II net assets adjusted as follows:	IFRS income statement methodology recognises non-cash items such as deferred tax and equity settled share options. By contrast	Refer to Sections 2.1 and 2.2 of the



<b>cash result</b>	net assets adjusted as follows.	and equity-settled share options. By contrast, dividends can only be paid to shareholders from appropriately fungible assets. The Board therefore issues Cash Results to monitor the level of cash generated by the business.	<b>Reconciliation</b> and <b>to the Consolidated Financial Statements.</b>
<b>APM</b>	<p>1. The movement in deferred tax is excluded, arising from the establishment of the exceptional Ongoing Service Evidence provision;</p> <p>2. The movements in goodwill and other intangibles are excluded; and</p> <p>3. Other changes in equity, such as dividends paid in the year and equity-settled share option costs, are excluded.</p> <p>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.</p> <p>The Cash result reflects all other cash items, including items of a one-off nature and temporary timing differences.</p> <p>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.</p>	<p>Why is this measure used?</p> <p>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.</p>	
<b>Underlying cash basic and diluted earnings per share (EPS)</b>	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.
<b>EEV profit</b>	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.
<b>EEV operating profit</b>	<p>A discounted cash flow valuation methodology, assessing the long-term economic value of the business.</p> <p>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.</p> <p>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.</p> <p>Within EEV operating profit is new business contribution, which is the change in embedded value arising from writing new business during the year.</p>	<p>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.</p> <p>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.</p>	See Note 3 to the Consolidated Financial Statements.
<b>EEV operating profit basic and diluted earnings per share (EPS)</b>	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.
<b>Policyholder and shareholder tax</b>	<p>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.</p> <p>The remainder of the tax charge represents tax on policyholders' investment returns.</p> <p>This calculation method is consistent with UK legislation relating to the calculation of the tax on shareholders' profits.</p>	<p>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.</p> <p>Life insurance business impacted by this tax typically includes policy charges which align with the tax liability, to mitigate the impact on the corporate entity. 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</p>	Disclosed as separate line items in the Statement of Comprehensive Income.

APM	Definition	tax charge which is deemed attributable to policyholders as policyholder tax, and the rest as shareholder tax. Why is this measure used?	Reconciliation to the Financial Statements
<b>Profit before shareholder tax</b>	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.
<b>Underlying profit</b>	A profit measure which reflects the IFRS result adjusted to remove the DAC, DIR and PVF 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
<b>Controllable expenses</b>	The total of expenses which reflects establishment, development, and our Academy.	We are focused on managing 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

**Mark FitzPatrick**  
Chief Executive Officer

**Craig Gentle**  
Chief Financial Officer

27 February 2024

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

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