

St. James's Place UK plc

Annual Report and Financial Statements

For the year ended 31 December 2021

Registered number 02628062

TUESDAY



AB40V9BW

A04

24/05/2022

#256

COMPANIES HOUSE

Company information

Directors

R Hilary*
I D MacKenzie
A O'Riordan*
C F B Woodd

*independent Non-executive Director

Company secretary

St. James's Place Corporate Secretary Limited

Registered number

02628062

Registered office

St. James's Place House
1 Tetbury Road
Cirencester
Gloucestershire
GL7 1FP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Contents

Strategic Report	4-16
Directors' Report	17-18
Directors' Responsibilities Statement	19
Independent Auditors' Report	20-25
Statement of Comprehensive Income	26
Statement of Financial Position	27
Statement of Changes in Equity	28
Statement of Cash Flows	29
Notes to the Financial Statements	30-77

Strategic Report for the year ended 31 December 2021

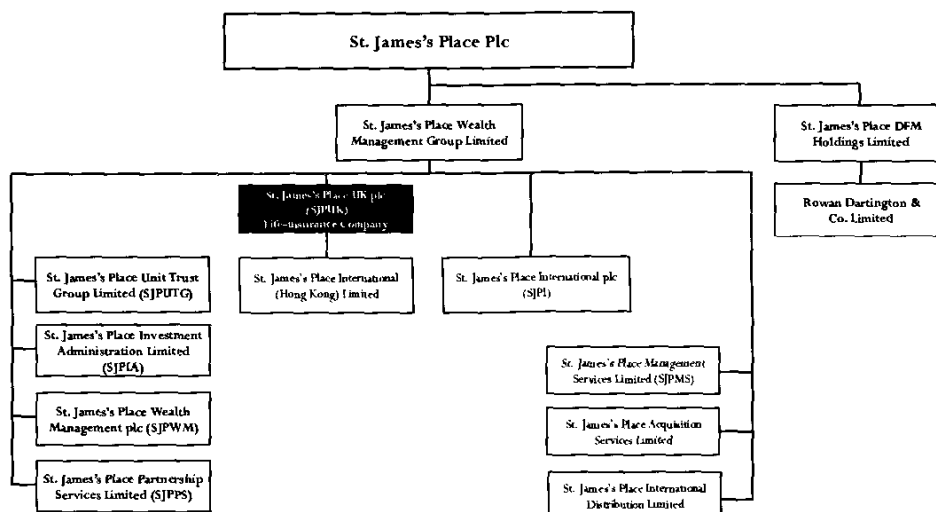
St. James's Place UK plc (the "Company" or "SJPUK") is a wholly-owned subsidiary of St. James's Place Wealth Management Group Limited, which in turn is a wholly-owned subsidiary of St. James's Place plc ("SJP plc"), the ultimate parent company of the St. James's Place Group (the "Group" or "St. James's Place").

The Company is authorised and regulated by the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") to transact Long-Term Insurance Business in the United Kingdom.

The Company is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom, and registered in England and Wales.

Group overview

St. James's Place is an award-winning wealth management group and a FTSE 100 business with a track record of strong growth. An extract of the group structure is shown below.



Face-to-face advice is core to the Group's business model. This is delivered through the Group's dedicated distribution firm St. James's Place Wealth Management plc which manages the St. James's Place Partnership, and which is focused on building and supporting long-term relationships with clients.

Financial advice is complemented and supported by the compelling investment proposition (the Investment Management Approach – "IMA"). The IMA offers a unique approach enabling investment management of underlying assets to be contracted out to a range of investment management firms, carefully selected by an independent committee of experts from the global population of fund managers.

Strategic Report (continued)

Group overview (continued)

In order to be able to provide the appropriate investment solution for each client's particular circumstances and needs, the IMA is made available through a variety of UK investment product solutions. The principal products manufactured by Group companies, and which are, in general, made available through the St. James's Place Partnership, are:

Company	Product
St. James's Place UK plc	UK-based unit-linked savings
	Unit-linked pension savings
	Unit-linked drawdown
St. James's Place Investment Administration Limited	Unit Trusts
	ISAs
St. James's Place International plc	Offshore unit-linked savings

In order to allow the IMA to be delivered consistently through all product wrappers, the majority of the unit-linked insurance investment ranges are facilitated through cross-investment into a core range of St. James's Place Unit Trusts (managed by St. James's Place Unit Trust Group Limited), which are the same unit trusts made available directly and through an ISA by St. James's Place Investment Administration Limited.

St. James's Place Management Services Limited facilitates employment for the Group and management of expenses, while St. James's Place Partnership Services Limited acts as a Treasury company for the Group, securing funding and managing lending by the Group.

Further information about St. James's Place, the St. James's Place Partnership, the St. James's Place approach to fund management and the IMA, and the full range of wealth management products, is included within the Strategic Report of the St. James's Place plc 2021 Annual Report and Accounts.

Business review

The Company's financial business model is straightforward: to attract and then retain funds under management (FUM) on which an annual management fee is received. This is the principal source of income for the Company, out of which the overheads of the business are met and investment is made in acquiring new FUM. As the level of annual management fee income received is dependent on the value of FUM, growth in FUM is a strong positive indicator of future growth in profits.

FUM

In 2021 the Company's gross inflow of FUM was £11.34 billion (2020 - £9.46 billion), a 19.9% increase year-on-year, with net inflow of FUM being £6.81 billion (2020 - £5.75 billion), a 18.4% increase year-on-year. Driven by net inflows during the year, and strong market growth, the Company's total FUM as at 31 December 2021 was £100.01 billion (2020 - £84.40 billion), an increase of 18.5%.

Strategic Report (continued)**Business review (continued)**

Analysis of the development of the funds under management is provided in the following tables:

Year Ended 31 December 2021	Investment £'Million	Pension £'Million	Total £'Million
Opening funds under management	23,094.3	61,308.6	84,402.9
Gross inflows	1,482.0	9,855.8	11,337.8
Net investment return	1,902.0	6,890.5	8,792.5
Regular income withdrawals and maturities	(165.6)	(1,725.1)	(1,890.7)
Surrenders and part surrenders	(1,132.6)	(1,502.4)	(2,635.0)
Closing funds under management	25,180.1	74,827.4	100,007.5
Net inflows	183.7	6,628.4	6,812.1
Implied surrender rate as a percentage of average funds under management	4.7%	2.2%	2.9%

Year Ended 31 December 2020	Investment £'Million	Pension £'Million	Total £'Million
Opening funds under management	22,821.5	52,840.0	75,661.5
Gross inflows	1,017.5	8,438.8	9,456.3
Net investment return	391.0	2,605.4	2,996.4
Regular income withdrawals and maturities	(155.1)	(1,366.6)	(1,521.7)
Surrenders and part surrenders	(980.6)	(1,209.0)	(2,189.6)
Closing funds under management	23,094.3	61,308.6	84,402.9
Net inflows	(118.2)	5,683.2	5,745.0
Implied surrender rate as a percentage of average funds under management	4.3%	2.1%	2.7%

IFRS profit after tax

The IFRS profit after tax for the year was £197.3 million (2020: £258.3 million).

Growth in FUM is a key driver for IFRS profits, and normally we would expect the underlying growth in FUM would drive growth in profit after tax. However, the positive impact of growth in FUM through 2020 and 2021 is masked by the nuances of life insurance tax-related effects which developed in 2020 and substantially unwound in 2021.

Life insurance tax incorporates a policyholder tax element, and the Financial Statements of a life insurance company 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 wider range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the 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 Statement of Comprehensive Income and analysed in Note 4 Fee and commission income. We refer to it in this Report as the impact of policyholder tax asymmetry.

Strategic Report (continued)

Business review (continued)

Disregarding the impact in 2020 (positive £61.7 million) and substantial unwind in 2021 (negative £52.9 million), the IFRS profit after tax progression would have reflected 27% growth from £196.6m to £249.3m, which is aligned with the underlying growth in FUM.

Other

The number of clients at the end of the year was 554,566 (2020 – 509,281). This shows a 9% increase in a key metric which measures the Company's growth.

Through our IMA we continuously monitor our fund proposition to ensure a comprehensive and wide range of products and services which meet the varied demands of our clients is available.

Back-office administration of the Company, and fund administration of the underlying investments, is outsourced to third parties.

Future developments

The Company intends to continue offering predominantly unit-linked savings and pensions business, transacted as Long-Term Insurance Business in the United Kingdom with authorisation from the PRA and FCA.

The Directors expect the Company will continue to grow FUM as a result of increases in the scale of the Group's distribution operation, the St. James's Place Partnership.

During the year, as part of the continual improvement programme of the IMA, the SJPUK UK Growth funds and SJPUK UK Equity funds underwent a merger with the SJPUK UK & General funds. It is expected that further changes will be made to fund managers and a range of funds during 2022 and in future years, to ensure the Group continues delivering for clients. Further details can be seen in Note 20.

Current risk environment

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

Overall, we remain confident in the Company's ability to withstand further challenges that may or may not emerge from the current risk environment.

Strategic Report (continued)

Business review (continued)

Macro-economic

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

Reflecting the stability, resilience and consistency of our business model, COVID-19 has impacted the Company in ways which are familiar to SJP's approach to the fundamentals of risk management. Examples of this are through: market volatility; a reduction in new business in 2020, which subsequently reversed in 2021; and the continuation of partial remote working for many employees, which presents talent management risks. Further information on the Group's approach to macro-economic risks is set out in the St. James's Place plc Annual Report and Accounts 2021.

Climate change

Tackling climate change is an issue of high importance to SJP, our Partners, clients, and regulators. The related risks affect all companies in different ways, and we have carefully considered how climate change could impact the Company and the wider Group to identify risks and opportunities. Climate change is a driver of market related risk, be that through physical climate events or impacts from transitioning away from fossil fuels. Whilst recognising the unique ways in which climate change can affect individual investments, our approach to managing this risk (and seizing the opportunity in the investment space) is very similar to how we manage other drivers of market related risk, namely through our Investment Management Approach (IMA) and, within that, our approach to responsible investing. Further, to ensure our resilience as a Group to market movements, our liabilities to clients are fully matched by our invested assets. Further information on the Group and Company's approach to climate change is set out in the St. James's Place plc Annual Report and Accounts 2021.

Principal risks and uncertainties

The Company operates within the St. James's Place Group 'Risk Management Framework'. More information about the Risk Management Framework, including the risk management policies and procedures that are applicable to the Company, is provided in the St. James's Place plc 2021 Annual Report and Accounts.

The principal risks and uncertainties facing the Company are set out below:

RISKS

Risk	Description	Key risks	Example controls
Administration Service	We fail to deliver good quality administration services to Partners and clients.	<ul style="list-style-type: none"> • Clients and Partners receive poor policy administration • Failure of key administration system change projects • Administrative complexity 	<ul style="list-style-type: none"> • Management of administration centres to ensure key service standards are met • Continuous development of technology • Effective planning of large-scale change projects • Ongoing activity to reduce administrative complexity and ensure operational resilience

Strategic Report (continued)

Principal risks and uncertainties (continued)

RISKS (continued)

Risk	Description	Key risks	Example controls
Client Proposition	Our product proposition fails to meet the needs, objectives and expectations of our clients. This includes poor relative investment performance and poor product design.	<ul style="list-style-type: none"> Investments provide poor returns relative to their benchmarks and/or do not deliver expected client outcomes Range of solutions does not align with the product and service requirements of our current and potential future clients Failure to meet client expectations of a sustainable business, not least in respect of climate change and responsible investing 	<ul style="list-style-type: none"> Monitoring of investment performance and selection of the most appropriate funds from a risk/net return perspective Continuous development of the range of services offered to clients Engagement with fund managers around principles of responsible investment
Conduct	We fail to provide quality, suitable advice or service to clients.	<ul style="list-style-type: none"> Advisers deliver poor quality or unsuitable advice Failure to evidence the provision of quality service and advice 	<ul style="list-style-type: none"> Licensing programme ensuring appropriate standard of advice and service from advisers Technical support helplines for advisers Timely and clear responses to client complaints Robust oversight process of the advice provided to clients delivered by Business Assurance, Compliance Assurance, Field Risk and Advice Guidance teams
Financial	We fail to effectively manage the business finances.	<ul style="list-style-type: none"> Failure to meet client liabilities Investment/Market risk Credit risk Liquidity risk Insurance risk Expense risk 	<ul style="list-style-type: none"> Policyholder liabilities are fully matched Excess assets generally invested in high-quality, high-liquidity cash and cash equivalents Reinsurance of insurance risks Ongoing monitoring of all risk exposures and experiences Acceptance of market and persistency risk impact on profit Setting and monitoring budgets Implementing new systems to allow for future cost reductions
Group Support	We fail to receive services supplied from a fellow Group company.	<ul style="list-style-type: none"> Failure of IMA Failure in provision of human resources Failure to protect the St. James's Place Brand Loss of distinctive culture 	<ul style="list-style-type: none"> Contractual service arrangements in place for key services provided by fellow Group subsidiaries Vertical integration aligns the delivery of services to the entity with the wider objectives of the Group Key Executive management committees include representation of interests for the relevant Group subsidiaries Specific matters reserved to each entity board The controls around the Group's risks can be found in the Group's Annual Report and Accounts

Strategic Report (continued)

Principal risks and uncertainties (continued)

RISKS (continued)

Risk	Description	Key risks	Example controls
Outsourcing	The third-party outsourcers' activities impacts our performance and risk management.	<ul style="list-style-type: none"> Operational failures by material outsourcers Failure of critical service, significant areas included: Investment administration Investment management Custody Policy administration Cloud services 	<ul style="list-style-type: none"> Oversight regime in place to identify prudent steps to reduce risk of operational failures by material third-party providers Ongoing monitoring, including assessments of operational resilience Due diligence of key suppliers
Regulatory	We fail to meet current, changing or new regulatory and legislative expectations.	<ul style="list-style-type: none"> Failure to comply with changing regulation or respond to changes in regulatory expectations Inadequate internal controls Failure to respond to regulatory driven changes to the industry in which we operate Solvency risk 	<ul style="list-style-type: none"> Compliance functions provide expert guidance and carry out extensive assurance work Strict controls are maintained in highly regulated areas Maintenance of appropriate solvency capital buffers, and continuous monitoring of solvency experience Clear accountabilities and understanding of responsibilities across the business Fostering of positive regulatory relationships
Security & Resilience	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"> Internal or external fraud Core system failure Corporate, Partnership, or third-party information security and cyber risks Disruption in key business services to our clients 	<ul style="list-style-type: none"> Business continuity planning for SJP and its key suppliers Focus on building operational resilience Identification, communication, and response planning for the event of cyber crime Data leakage detection technology and incident reporting systems Internal awareness programmes Identification and assessment of critical business services
Strategy, Competition and Brand	Challenge from competitors and the impact of reputational damage.	<ul style="list-style-type: none"> Increased competitive pressure from traditional and disruptive (non-traditional) competitors Cost and charges pressure Negative media coverage 	<ul style="list-style-type: none"> Clear demonstration of value delivered to clients through advice, service and products Investment in improving positive brand recognition Ongoing development of client and Partner propositions Proactive engagement with external agencies including media, industry groups and regulators

Strategic Report (continued)

Principal risks and uncertainties (continued)

Capital and Solvency

The Company manages its statement of financial position prudently to ensure solvency is maintained safely through the economic cycle. This is important not only for the safeguarding of clients' assets, but also to maintain the level of returns to shareholders.

Solvency is assessed against the Solvency II capital requirement: see note 15 for further information.

		2021	2020
		£'Million	£'Million
Solvency II own funds (post dividend)	(A)	4,110.4	3,604.7
Solvency capital requirement ("SCR")	(B)	3,634.2	3,256.8
Solvency II free assets (post dividend)	(A – B)	476.2	347.9
Solvency ratio (post dividend)	(A / B)	113.1%	111.0%

With free assets well in excess of SCR, the Company's solvency position remains strong.

The Group capital management policy required that SJPUK should hold own funds at least equal to 110% of SCR (subject to holding assets of £180 million in excess of current unit-linked liabilities).

More information can be found about the Solvency II valuation in the Group's Solvency and Financial Condition Report ("SFCR") available on the Group's website.

Strategic Report (continued)

Key Performance Indicators ("KPIs")

The operations of SJPUK are managed through the Group. The Directors of SJP plc manage the Group's operations on a Group-wide basis. The key metrics used to monitor the development, performance and the position of Group, which includes the Company, are set out in the Group's Annual Report and Accounts, copies of which can be obtained from the address shown in note 21. The Group's KPIs cover both financial and non-financial metrics. The Group's key metrics which are relevant to the Company are set out below, with the data provided for the Company only:

Non-financial key performance indicators:

	2021	2020
	£'Million	£'Million
<i>Funds</i>		
FUM	100,007.5	84,402.9
Gross inflows of FUM	11,337.8	9,456.3
Net inflows of FUM	6,812.1	5,745.0
	2021	2020
<i>Clients</i>		
Client numbers (Number)	554,566	509,281

Financial key performance indicators:

	2021	2020
	£'Million	£'Million
Dividends for the current financial year	220.0	200.0

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct;
- and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our key stakeholders. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As part of a vertically integrated financial services Group, the Company's stakeholders are entirely aligned with the key stakeholders of the wider Group, being shareholders, Partners, employees, clients and society (represented by a number of groups including government, regulators, suppliers and the wider community), although some of those are more prominent for us as a subsidiary than others.

Strategic Report (continued)

Section 172(1) Statement (continued)

The Group as a whole is focused on ensuring value is generated and preserved over the long-term for all of its stakeholders and the core of our strategy is the long-term relationship St. James's Place and the Partnership have with our clients. This is what ultimately drives long-term value for shareholders and other stakeholders and could not be achieved if we did not seek to maintain a reputation for high standards of business conduct.

Authority for day-to-day management of this Company and the Group's other wholly owned subsidiaries is delegated to Executives. The boards of each company then engage management in setting, approving and overseeing execution of the business strategy and related policies, where relevant to that company. Throughout the year we, as a Board, review matters such as financial and operational performance, key risks, governance and regulatory compliance and the impact of decisions and policies affecting our key stakeholders.

The views of and the impact of the Company's activities on the key stakeholders are an important consideration for the Directors when making relevant decisions. Our governance framework is designed to provide opportunities for the Board to consider and discuss reports and papers that require decision making, which are sent in advance of each periodic Board meeting. The information contained therein, together with presentations to the Board, provide the insight necessary to understand the interests and concerns of key stakeholders and other relevant factors when making decisions. An example from 2021 that illustrates how this has contributed to our compliance with our section 172 duty to promote the success of the company is set out below.

Example	Consideration
Persistency assumptions	<p>During the year the Board undertook a detailed review of the persistency assumptions used to value its bonds and pensions business for EEV (European Embedded Value) reporting and regulatory solvency purposes. The outcome of the review was a series of proposals to change the assumptions. The proposals were considered in great detail, with the Board considering both client behaviour in the past and how that might evolve in the future. Factors impacting behaviour that were considered included: changes in regulation, such as the RDR (Retail Distribution Review) in 2013, removal of compulsory annuitisation in 2015 and pension tax relief limits; changes in economic outlook, including recent financial crises, and political uncertainty; SJP proposition changes such as improved administration as a result of Bluedoor and continual evolution of the IMA; and social developments such as digitisation and interest in ESG. The proposed changes incorporated improvement in expected long-term rates and the impact on the Company's Solvency II valuation and on its embedded value were significant.</p> <p>As part of the detailed review, the Board also ensured that;</p> <ul style="list-style-type: none"> (i) regulatory reporting requirements, including ongoing protection of clients' interests through the solvency requirements, would be met; and (ii) shareholders' interests in the reported value of the business, and consequently the funds available for dividend, were protected. <p>The Board noted that the increase in reported embedded value would impact bonus schemes which would have a beneficial impact for employees. The appropriate external advice was obtained in connection with the proposals, which also mitigated any conflicts of interest across the interested parties. After due consideration the proposals were agreed by the Board.</p>

While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the Group means that generally our stakeholder engagement is best co-ordinated at an operational or Group level.

We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual Company.

Strategic Report (continued)

Section 172(1) Statement (continued)

For details of engagement with the Company's stakeholders that helps the Directors to understand the issues to which they must have regard, please see the Section 172(1) Statement in the St. James's Place plc 2021 Annual Report and Accounts.

Going Concern

The going concern basis has been adopted in preparing these Financial Statements. The Company's business activities, together with the factors likely to affect its future development, performance and position, including the ongoing impact of the COVID-19 pandemic, are set out above on pages 7-8.

As shown on page 11 of the Strategic report, the Company's capital position remains strong and well in excess of regulatory requirements.

The Board has considered the potential impact of COVID-19 on the business, including the associated impact of the economic volatility on funds under management and the Company's financial results. Given the uncertainty the Board has reviewed and takes comfort from the Group's assessment of going concern as outlined in the St. James's Place Plc 2021 Annual Report and Accounts.

In addition, the Board has considered the operational impacts of COVID-19, including through its key outsourced providers. It noted that the business demonstrated real resilience supported by recent technological investment, together with the agility of both advisers and employees. This, along with our key outsource providers, who also adapted well to the changing environment, supports its view that the business will continue to remain operationally resilient.

As a result of its review, the Board believes that the Company will continue to operate for a period of at least 12 months from the date of approval of the financial statements.

Corporate Governance Report

As our ultimate parent SJP plc is a premium listed entity, it is required to report against the UK Corporate Governance Code ("UKCGC"). A comprehensive explanation of the corporate governance arrangements for that company, including the wider Group, can be found in St. James's Place plc 2021 Annual Report and Accounts (the "Group Report").

As we reported last year, in 2020, governance principles were established which set out the Group board's expectations of subsidiary level governance and help to guide the boards of each subsidiary. The Board believes that reporting against these principles will provide our stakeholders with the most appropriate explanation of the Company's governance arrangements, as required by Part 8 of Schedule 7 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The table below outlines the Company's corporate governance arrangements for the year ending 31 December 2021 against each of the key principles of the St. James's Place Group Governance Principles (including where further information can be found):

Strategic Report (continued)

Corporate governance report (continued)

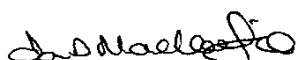
<p>Board Leadership and Company Purpose Individual subsidiaries should be led by effective and entrepreneurial boards which ensure that they fulfil the purpose set for them in contributing to the long-term sustainable success of the Group. The board should ensure that the company values and strategy align to the Group's culture and strategy.</p>	<p>The role that SJPUK plays within the Group is clearly defined within the Strategic Report of the SJPUK Annual Report, detailed on pages 4 to 5.</p> <p>As part of a vertically integrated financial services organisation, our culture and values are consistent and aligned across all Group companies. Further information on the Group's purpose, culture and values can be found in the Group Report.</p> <p>The Strategic Report on pages 4 to 16 also sets out the Group strategy and the role the Company plays in that strategy.</p>
<p>Division of Responsibilities There should be a clear division of responsibility between the responsibilities of Directors on boards.</p>	<p>The Board of SJPUK meets at least quarterly and holds ad hoc Board meetings as and when required. The Chair works with the Group's Company Secretariat to set an appropriate agenda addressing the key considerations for the Board. A forward agenda is also maintained and co-ordinated with those of SJP plc and/or its committees where appropriate. Key employees from across the business attend Board meetings to advise on any specific items where necessary.</p> <p>The roles of Board Chair and Company CEO are held by different Directors and the Board Chair is held by a Non-executive Director. The Board Chair is responsible for the Board's overall effectiveness and together with one other Non-executive Director, provides independent challenge to management.</p> <p>Directors have a responsibility to declare any conflict of interest at the beginning of each Board meeting. Should a conflict arise, it is the responsibility of the Chair in conjunction with the non-conflicted Directors to agree whether the Director may participate and/or vote on the specific item.</p> <p>Upon appointment, Directors receive induction training which, amongst other things, covers the Company's business as well as their statutory duties as Directors of a regulated entity.</p> <p>As a public interest entity (PIE) the Board is required to have an audit committee. During the year, this requirement has been fulfilled by the SJP plc Audit Committee. Similarly the SJP plc Board Risk Committee has responsibility for and acts as the Risk Committee for the Company. Reports are received by the Board from each Committee where relevant matters arise. The Board retains ultimate responsibility for the duties it delegates to sub-committees.</p>
<p>Board Composition, Succession & Evaluation The boards of subsidiaries should be of a size that is appropriate to the scale and complexity of the company. Boards should comprise of an appropriate balance of skills, experience and diversity, and should provide effective challenge to management. The effectiveness of boards should be measured at least annually, and a succession plan should be in place for all board roles, with future appointments being based on merit and objective criteria.</p>	<p>The Company's Board comprises of four Directors with a mix of Executive and Non-executive Directors, enabling it to maintain a quorum in the event of any known potential conflict of interest.</p> <p>The Company's Board is chaired by Rosemary Hilary, who joined the Board in September 2020. The remainder of the Board comprises Ian MacKenzie (SJPUK CEO), Charles Woodd (Chief Actuary) and Tony O'Riordan (Independent Non-executive Director).</p> <p>The Board intends to carry out regular reviews of its effectiveness.</p> <p>Although no employees are directly employed by SJPUK, inclusion and diversity are important areas and are considered at both a Group and Company level. For further details on the Group activity in this area please see the Group Report.</p>

Strategic Report (continued)

Corporate governance report (continued)

<p>Audit, Risk & Internal Control The boards of subsidiaries should satisfy themselves that the Group has in place formal and transparent policies and procedures that enable them to (i) identify the nature and extent of risks the company is willing to take in order to achieve its objectives; (ii) manage such risks effectively; (iii) oversee the internal control framework operating in relation to the company's business; (iv) promote the independence and effectiveness of audit functions; and (v) satisfy themselves on the integrity of financial reporting.</p>	<p>The Company is an integral part of SJP's overall proposition which is focused on long-term sustainable business growth through the delivery of excellent client outcomes through the Partnership. The Board plays a role in this and discusses strategy, planning and performance as well as considering risk, in conjunction with the Group Board Risk Committee, including through the Own Risk and Solvency Assessment ("ORSA") process. More detail on how the Group creates and maintains value in the long term can be found in the Strategic Report in the Group Report.</p> <p>Details of the Company's risk management framework and principal risks can be found in the Strategic Report on pages 8 to 10.</p> <p>The Group's Internal Audit Charter and Policy on Auditor Independence is considered and approved by the Board. Responsibility for oversight is delegated to the Group Board Audit Committee, but the Board considers internal audit activity that is material to the Company. This includes overseeing financial reporting, the internal and external audits and the Group's systems of internal control. More detail on the activities of the Board Audit Committee can be found in the Group Report.</p>
<p>Remuneration The remuneration policies and practices of subsidiaries should be aligned with and consistent with the Group's Employee Reward Policy and should be developed in accordance with formal and transparent procedures, ensuring no Director is involved in deciding their own remuneration outcome. The remuneration of all Directors and employees should adhere to all regulatory requirements applicable to the subsidiary, be aligned to the successful delivery of the Group's strategy for the benefit of its stakeholders and not encourage risk taking that is outside the Group's appetite. Outcomes should take account of Group and individual performance, and wider circumstances such as the Group's purpose and values, its commitment to fair pay and remuneration across the company's workforce.</p>	<p>As the Company is a Solvency II Life Insurer it is required to adhere to specific requirements around remuneration and compliance with these requirements is monitored by the Group's Remuneration Committee. All policies in relation to Remuneration are in line with business strategy, risk profile, objectives, risk management practices and long-term interests and detail any measures incorporated to avoid conflicts of interest.</p> <p>Executive Directors and employees of the Group are not separately remunerated where they act as Directors of Group companies. The fees to be paid to non-executive Directors of subsidiary companies are agreed by the Board of SJP plc and are set at a level that is proportionate given the complexity and commitments required from the role. Both the Chair of the Board and the Independent Non-Executive Director receive a fee for acting as a Director of the Company, but no other Directors receive fees. Details of the Remuneration package can be found on page 46. Non-executive Directors (including the Chair) appointed to subsidiaries of Group companies are not entitled to any performance related remuneration.</p>
<p>Stakeholder Relationships & Engagement Directors of subsidiaries should ensure that effective stakeholder relationships are being fostered with each of the company's key stakeholders, taking account of the Group's purpose and values and the wider engagement undertaken across the Group with its stakeholders. The board should seek to understand the views of its stakeholders and the impact of the company's behaviour and business, having regard to the views and interests of those stakeholders when taking decisions.</p>	<p>Details of how the Group engages with key stakeholders can be found in the Group Annual Report and Accounts. Further information from the Company's perspective can be found in the s.172 statement on pages 12 to 14.</p>

This Strategic report was approved by the Board on 23 February 2022 and signed on its behalf on the same date by:



I D MacKenzie
Director

Directors' Report

for the year ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal Activities

During the year the Company was authorised by the PRA and the FCA to transact Long-Term Insurance Business in the United Kingdom. The current product range of the Company is focussed on unit-linked savings, unit-linked pension savings, and unit-linked draw-down business. There is also a small legacy portfolio of protection business (including whole of life, term assurance and standalone critical illness).

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS). For periods up to and including the year ended 31 December 2020, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework"). Further information on transition to IFRS can be found in accounting policy 1.28.

Results and dividends

The profit after tax, being profit for the financial year amounted to £197.3 million (2020 - £258.3 million).

Dividends totalling £220.0 million (2020 - £200.0 million) were paid during the year. The Directors propose the payment of a final dividend of £280.0 million (2020 - £220.0 million).

Directors

The Directors who served during the year and up to the date of signing of the financial statements were:

I Cornish (resigned 14 May 2021)
A M Croft (resigned 19 May 2021)
R Hilary
I D MacKenzie
A O'Riordan (appointed 26 July 2021)
C F B Woodd

Employees

The Company has no employees (2020 - NIL).

Directors' indemnity and insurance

SJP plc, the ultimate parent company has taken out insurance covering Directors and Officers against liabilities they may incur in their capacity as Directors or Officers of SJP plc or its subsidiaries. Qualifying third party indemnity provisions were in force during the financial year and at the date of approval of the financial statements. These indemnities are uncapped in amount and protect recipients from certain losses and liabilities that they may incur to third parties in connection with the furtherance of their duties as Directors or Officers of SJP plc or its subsidiary companies. Copies of the indemnities are available to shareholders upon request.

Directors' Report (continued)

Matters covered in the Strategic Report

Future developments and Going Concern are all referred to in the Strategic Report set out on pages 4 to 16 of the Annual Report and Financial Statements. Further information on financial risk management can be found in note 19.

A summary of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year is set out in the Strategic Report within the Section 172 (1) Statement on pages 12 to 14.

Disclosure of information to auditors

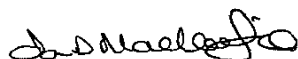
In the case of each Director in office at the date the Directors' report is approved:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the Board of Directors on 23 February 2022 and signed on its behalf on the same date by:



I D MacKenzie
Director

Directors' Responsibilities Statement for the year ended 31 December 2021

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of St. James's Place UK plc

Report on the audit of the Financial Statements

Opinion

In our opinion, St. James's Place UK plc's Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report, which comprise: Statement of Financial Position as at 31 December 2021; Statement of Comprehensive Income; Statement of Changes in Equity; and Statement of Cash Flows for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- The Company is a wholly-owned life insurance entity within the St. James's Place plc group and therefore we did not apply any group scoping and we audited all of the material Financial Statement line items.

Key audit matters

- Valuation of investments with a judgemental valuation being investment properties

Independent auditors' report to the members of St. James's Place UK plc

Our audit approach

Materiality

- Overall materiality: £11,000,000 (2020: £10,000,000) based on 5% of average Profit before tax from last three years.
- Performance materiality: £8,000,000 (2020: £7,500,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of the COVID-19 pandemic, which was a key audit matter last year, is no longer included because of the reduced uncertainty of the impact of the COVID-19 pandemic. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investments with a judgemental valuation being investment properties</i></p> <p>As disclosed in note 2.2.2 (Page 42) and note 11 (Page 52) As at 31 December 2021, the Company held £101.4 billion of investments (including cash at bank and in hand). The majority of these investments do not require significant judgement in calculating their valuation in the Financial Statements. However, £1.6 billion of these investments are in investment properties which requires management to use significant estimates and judgements in order to calculate the valuation at the year-end. Due to the magnitude of this balance and the level of judgement involved in the valuation, this was an area of focus for our audit. The Group outsources the investment valuation activities for the investment property portfolio, with the management of the portfolio performed by Orchard Street with regular valuations supplied by CBRE.</p>	<p>We engaged our internal real estate valuation experts to review the methodology and key assumptions used by CBRE in valuing the property portfolio. Our valuation experts: Obtained and reviewed the valuation reports produced by CBRE and confirmed that the methodology adopted was appropriate. Benchmarked the key assumptions used by CBRE against industry norms using our experience and knowledge of the market for all properties in the portfolio. Where they fell outside of the expected ranges, valuations showed unexpected movements, or otherwise appeared unusual, performed further testing and, when necessary, held further discussion with Valuers to understand and validate the assumptions. Agreed key data inputs to the valuations to supporting evidence on a sample basis. From the evidence obtained when testing the valuation, we found the assumptions and methodology used, and the resulting valuations, to be appropriate.</p>

Independent auditors' report to the members of St. James's Place UK plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company is an wholly-owned life insurance entity within the St. James's Place plc group and therefore we did not apply any group scoping and we audited all of the material financial statement line items.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£11,000,000 (2020: £10,000,000).
How we determined it	5% of average Profit before tax from last three years
Rationale for benchmark applied	The engagement team concluded that £11.0 million is the most appropriate figure when setting an overall materiality on the engagement. The quantum of £11.0 million was determined by considering the various benchmarks available to us as auditors, our experience of auditing the Company and the business performance during the past three years. £11.0 million represents 5% of average Profit before tax from last three years.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £8,000,000 (2020: £7,500,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (2020: £0.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained management's assessment of the going concern of the Company, and challenged the appropriateness of the assumptions used by utilising our knowledge of the Company gained throughout the audit and obtaining further corroborative audit evidence.
- Considered the results of management's analysis of the relevant solvency requirements and liquidity position of the Company, including forward looking scenarios within the Group's Own Risk and Solvency Assessment.
- Considered information obtained through review of regulatory correspondence, minutes of meetings of the Board, Audit and Risk Committees, as well as publicly available information to identify any information that would contradict management's assessment.

Independent auditors' report to the members of St. James's Place UK plc

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of St. James's Place UK plc

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to risk of management override of controls and risk of fraud in revenue recognition. Audit procedures performed by the engagement team included:

- Discussions with the Risk and Compliance function, Internal Audit and the Company's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading the Audit Committee papers in which whistle blowing matters are reported and considered the impact of these matters on the group's compliance with laws and regulations;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board, Risk and Audit Committees
- Reviewing data regarding customer complaints and the Company's register of litigation and claims, in so far as they related to non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations increasing reported revenues;
- Designing audit procedures to incorporate unpredictability around nature, timing or extent of our testing;

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of St. James's Place UK plc

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 7 December 2009 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is 13 years, covering the years ended 31 December 2009 to 31 December 2021.

Andrew Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 February 2022

Statement of Comprehensive Income
for the year ended 31 December 2021

		Year ended 31 December 2021	Year ended 31 December 2020
	Note	£'Million	£'Million
Insurance premium income		18.9	20.6
Less premiums ceded to reinsurers		(14.9)	(15.9)
Net insurance premium income	3	4.0	4.7
Fee and commission income	4	1,137.4	787.2
Investment return	5	10,532.9	4,322.7
Net income		11,674.3	5,114.6
Policy claims and benefits			
- Gross amount		(30.2)	(29.5)
- Reinsurers' share		7.8	12.3
Net policyholder claims and benefits incurred		(22.4)	(17.2)
Change in insurance contract liabilities			
- Gross amount		14.3	4.0
- Reinsurers' share		(9.9)	3.7
Net change in insurance contract liabilities		4.4	7.7
Movement in investment contract benefits	5	(10,519.3)	(4,317.7)
Expenses	6	(401.0)	(370.4)
Profit before tax		736.0	417.0
Tax attributable to policyholders' return	8	(488.1)	(98.0)
Profit before tax attributable to shareholders' returns		247.9	319.0
Tax attributable to shareholders' returns	8	(50.6)	(60.7)
Profit and total comprehensive income for the year		197.3	258.3

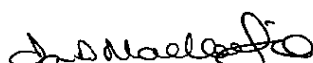
The results relate to continuing operations.

The notes and information on pages 30 to 77 form part of these financial statements.

Statement of Financial Position
as at 31 December 2021

		31 December 2021	31 December 2020	As at 1 January 2020
	Note	£'Million	£'Million	£'Million
Assets				
Deferred Acquisition Costs	17	236.0	274.3	325.5
Investments in Group Undertakings	10	17.1	17.1	17.1
Reinsurance assets	14	82.4	92.3	88.6
Prepayments and accrued income	13	164.9	174.6	147.9
Receivables	12	420.4	427.3	370.9
Investments				
- <i>Investment property</i>	11	1,568.5	1,526.7	1,750.9
- <i>Equities</i>	11	3,049.2	4,175.9	4,768.8
- <i>Fixed income securities</i>	11	233.0	287.4	269.7
- <i>Investment in Collective Investment Schemes</i>	11	96,225.7	79,237.7	69,563.6
- <i>Derivative financial instruments</i>	11	-	0.6	1.3
Cash and cash equivalents	11	344.8	374.6	323.2
Total assets		102,342.0	86,588.5	77,627.5
Liabilities				
Insurance contract liabilities	14	222.0	236.3	240.5
Investment contract benefits	5	100,053.9	84,449.7	75,579.2
Accruals and Deferred income	17	334.2	340.0	364.3
Deferred tax liabilities	8	645.8	374.6	373.1
Payables	16	693.7	772.8	713.6
Total liabilities		101,949.6	86,173.4	77,270.7
Net Assets		392.4	415.1	356.8
Shareholders' equity				
Share capital	18	110.0	110.0	110.0
Retained earnings		282.4	305.1	246.8
Total equity		392.4	415.1	356.8

The financial statements on pages 26 to 77 were approved by the Board of Directors on 23 February 2022 and signed on its behalf on the same date by:



I D MacKenzie
Director

The notes and information on pages 30 to 77 form part of the financial statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital £'Million	Retained earnings £'Million	Total shareholders' funds £'Million
At 1 January 2020		110.0	246.8	356.8
Profit for the year		-	258.3	258.3
Dividends: Equity capital	9	-	(200.0)	(200.0)
At 31 December 2020		110.0	305.1	415.1
Profit for the year		-	197.3	197.3
Dividends: Equity capital	9	-	(220.0)	(220.0)
At 31 December 2021		110.0	282.4	392.4

The notes and information on pages 30 to 77 form part of the financial statements.

Statement of Cash Flows

For the year ended 31 December 2021

		Year ended 31 December 2021	Year ended 31 December 2020 (Unaudited)
	Note	£'Million	£'Million
Cash flows from operating activities			
Profit before tax for the year		736.0	417.0
Adjustments for:			
Interest income		(0.1)	(2.6)
Exchange rate gains/losses		(0.1)	(0.1)
Changes in operating assets and liabilities			
Decrease in Deferred acquisition costs	17	38.3	51.3
(Increase)/Decrease in Investment Property	11	(41.8)	224.2
(Increase) in Other Investments	11	(15,806.3)	(9,098.2)
Decrease/(Increase) in Reinsurance assets	14	9.9	(3.6)
Decrease/(Increase) in Prepayments and accrued income	13	9.7	(26.8)
Decrease/(Increase) in Receivables	12	6.9	(56.6)
(Decrease) in Insurance contract liabilities	14	(14.3)	(4.1)
Increase in Investment contract liabilities	5	15,604.1	8,870.5
(Decrease) in Accruals and deferred income	17	(5.8)	(24.2)
(Decrease)/Increase in Payables	16	(51.1)	127.4
Cash inflow from operating activities		485.4	474.2
Interest received		0.1	2.6
Income taxes paid	8	(295.4)	(225.5)
Net cash inflow from operating activities		190.1	251.3
Cash flows from investing activities		-	-
Net cash outflow from investing activities		-	-
Cash flows from financing activities			
Dividends paid	9	(220.0)	(200.0)
Net cash outflow from financing activities		(220.0)	(200.0)
Net (decrease)/increase in cash and cash equivalents		(29.9)	51.3
Cash and cash equivalents at 1 January		374.6	323.2
Exchange gains on cash and cash equivalents		0.1	0.1
Cash and cash equivalents at 31 December		344.8	374.6

The notes and information on pages 30 to 77 form part of the financial statements.

Notes to the Financial Statements

1. Accounting policies

The principal accounting policies of the Company, which have been applied consistently throughout the year, are set out below.

1.1 Statement of compliance

The financial statements of the Company have been prepared and approved by the Directors 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.

For all periods up to and including the year ended 31 December 2020, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework").

These financial statements for the year ended 31 December 2021 are the first the Company has prepared in accordance with UK-adopted International Accounting Standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board.

Please see accounting policy 1.28 for further details on the impact in the period reported as a result of the change in framework.

There were no new or amended IFRS standards effective for periods beginning on 1 January 2021 which are relevant to the Company.

1.2 New and amended Accounting Standards not yet adopted

As at 31 December 2021, the following new and amended standards, which are relevant to the Company but have not been applied in the Financial Statements, were in issue but are not yet effective. None of these standards or amendments have yet been endorsed by the UK as at 31 December 2021:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current;
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework;
- Annual Improvements to IFRS 2018-2020; and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture.

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

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.2 New and amended Accounting Standards not yet adopted (continued)

IFRS 17 Insurance Contracts including Amendments to IFRS 17

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

The Company closed to new insurance business, as defined under accounting standards, in 2011. At 31 December 2021, the Company has £90.2 million of non-unit-linked insurance contract liabilities, which are substantially reinsured, and £131.8 million of unit-linked insurance contract liabilities. As a result, the Company's net exposure on this business is not material.

Although written by an insurance company, the unit-linked savings, pension savings and drawdown products making up the vast majority of the business written in the Company are defined as investment business under accounting standards. Investment business is accounted for under IFRS 9 Financial Instruments and so this business is outside the scope of IFRS 17.

Management is currently assessing the impacts of adopting the new standard. The effective date of the standard is currently 1 January 2023, subject to endorsement by the UK Endorsement Board.

1.3 Basis of preparation

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

The Board's review on going concern is set out on page 14 of the Strategic Review. As a result of its review, the Board believes that the Company 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 financial statements.

The Financial Statements are presented in pounds Sterling, rounded to the nearest million, *unless stated otherwise*. 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 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 the judgements about 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.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.3 Basis of preparation (continued)

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

The accounting policies set out below have been applied consistently to all years presented in these Financial Statements.

The financial statements provide comparative information in respect of the previous period to help understanding of the transition to IFRS. As such, the Company has presented an additional statement of financial position at the beginning of the preceding period.

The Company is entitled to exemption from the requirement to prepare and deliver consolidated financial statements under section 400 of the Companies Act 2006. The parent undertaking that draws up Group financial statements and its registered address is set out in note 21.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.4 *Product classification*

The Company's products are classified for accounting purposes as either insurance contracts or investment contracts.

(ii) Insurance contracts

Insurance contracts are contracts that transfer significant insurance risk. The Company's historic product range includes a variety of term assurance and whole of life protection contracts involving significant insurance risk transfer.

(ii) Investment contracts

Contracts that do not transfer significant insurance risk are treated as investment contracts. The majority of the business written by the Company is unit-linked investment business and is classified as investment contracts.

1.5 *Fee and commission income*

Fee and commission income comprises:

- (i) Wealth management fees paid by clients for the ongoing administration of their investment product;
- (ii) Investment management fees paid by clients for all aspects of investment management, including fees taken by the Company to pay third-party investment advisors;
- (iii) Fund tax deductions, which are fees charged to clients to match the policyholder tax expense;
- (iv) The unwinding of income that has been deferred. This relates to initial product charges.

Wealth management fees, investment management fees, fund tax deductions relate to services provided on an on-going basis, and revenue is recognised on an on-going basis to reflect the nature of the performance obligations being discharged.

When initial product charges do not relate to a distinct performance obligation satisfied at inception of a contract, the income is deferred and amortised over the anticipated period in which the services will be provided.

1.6 *Insurance and reinsurance premiums*

Unit-linked insurance contract premiums are recognised as revenue when the liabilities arising from them are recognised. All other premiums, including reinsurance premiums, are accounted for when due for payment.

1.7 *Insurance claims and reinsurance recoveries*

Insurance contracts death claims are accounted for on notification of death. Critical illness claims are accounted for when admitted. All other claims and surrenders are accounted for when payment is due. Reinsurance recoveries, in respect of insurance claims, are accounted for in the same period as the related claim.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.8 *Investment return*

Investment return comprises investment income and investment gains and losses. Investment income includes dividends, interest and rental income from investment properties under operating leases. Dividends are accrued on an ex-dividend basis, and rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Interest, which is generated on assets classified as fair value through profit or loss, is accounted for using the effective interest method.

1.9 *Expenses*

Expenses comprise costs incurred in the ordinary activities of the Company, which include regulatory fees, recharges from another Group company, other third-party expenses and investment expenses charged to the statement of comprehensive income on an accruals basis.

1.10 *Income Taxes*

Income tax on the profit or loss for the year comprises current and deferred tax payable by the Company in respect of policyholders and shareholders. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority and are measured using a best-estimate approach.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.10 *Income Taxes (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(iii) **Policyholder and shareholder tax**

The total income tax charge is a separate adjustment within the Statement of Comprehensive Income based on the movement in current and deferred income taxes in respect of income, gains and expenses. The total charge reflects tax incurred on behalf of policyholders as well as shareholders, and so it is useful to be able to identify these separately.

Shareholder tax is estimated by making an assessment of the effective rate of tax that is applicable to the shareholders on the profits attributable to shareholders. This is calculated by applying the appropriate effective corporate tax rates to the shareholder profits. The remainder of the tax charge represents tax on policyholders' investment returns.

1.11 *Dividends paid*

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are declared, this is when they are appropriately authorised and no longer at the discretion of the Company. The final dividend for the year is disclosed but unpaid and awaiting approval by the Company's shareholders at the Annual General Meeting.

1.12 *Investment contract deposits and withdrawals*

Investment contract payments in and out are not included in the Statement of Comprehensive Income but are reported as deposits to or deductions from investment contract benefits in the Statement of Financial Position. The movement in investment contract benefits within the Statement of Comprehensive Income principally represents the investment return credited to policyholders.

Explicit advice charges are payable to a St. James's Place distribution company by most clients who wish to receive advice with their investment in a St. James's Place UK retail investment product. The Company facilitates the payment of these charges for the client by arranging withdrawals from the client's policy.

1.13 *Deferred Acquisition costs (DAC)*

For insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year, net of any impairment losses, are deferred and then amortised to expenses in the Statement of Comprehensive Income on a straight-line basis over the period during which the costs are expected to be recoverable and in accordance with the incidence of future related margins.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.13 *Deferred Acquisition costs (DAC) (continued)*

For investment contracts, only directly attributable acquisition costs, which vary with and are related to securing new contracts and renewing existing contracts, are deferred, and only to the extent that they are recoverable out of future revenue.

These deferred acquisition costs, which represent the contractual right to benefit from providing investment management services, net of any impairment losses, are amortised to expenses in the Statement of Comprehensive Income on a straight-line basis over the expected lifetime of the Company's investment contracts. All other costs are recognised as expenses when incurred.

1.14 *Investments in Group undertakings*

Investments in Group undertakings are recorded at cost less any provision for impairment. Impairment reviews are performed by the Directors on an annual basis and when there has been an indication of potential impairment.

1.15 *Reinsurance assets*

Reinsurance assets represent amounts recoverable from reinsurers in respect of non-unit-linked contract liabilities, net of any future reinsurance premiums.

1.16 *Prepayments and accrued income*

Prepayments are recognised where services are paid for in advance of being received. The prepayment reduces, and an expense is recognised in the statement of comprehensive income, as the service is received. Accrued income is recognised as services are rendered.

1.17 *Receivables*

Receivables held within unit-linked and unit trust funds are classified at fair value through profit and loss (FVTPL), as management has made an irrevocable decision to designate them as such in order to align the measurement of these financial assets with the measurement of their associated unit-linked liabilities. Therefore, these other receivables are initially and subsequently recognised at FVTPL.

Most shareholder other receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses.

1.18 *Investment property*

Investment properties, which are all held within the unit-linked funds, are properties which are held to earn rental income and/or for capital appreciation. They are stated at fair value. An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every month.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.18 *Investment property (continued)*

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the Statement of Comprehensive Income within investment income. Rental return from investment property is accounted for as described in accounting policy 1.8.

1.19 *Equities, fixed income securities and Investment in Collective Investment Schemes*

These financial assets are initially and subsequently recognised at FVTPL, with all gains and losses recognised within investment income in the Statement of Comprehensive Income. The vast majority of these financial assets are quoted, and so the fair value is based on the value within the bid-ask spread that is most representative of fair value. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

Subsequent measurement of these financial assets at FVTPL is required by IFRS 9 for debt instruments for which the objectives of the Company's business model are not met by either holding the instrument to collect contractual cash flows or selling the instruments, or where the contractual terms of the instrument do not give rise to cash flows which are solely payments of principal and interest. Where both the 'business model' and 'solely payments of principal and interest' tests are met, management has made an irrevocable decision to designate the debt instruments at FVTPL as doing so aligns the measurement of the financial assets with the measurement of their associated unit-linked liabilities.

Management has not made the irrevocable election to present changes in the fair value of equity instruments in other comprehensive income, and so all equity instruments are also designated at FVTPL.

The Company recognises purchases and sales of investments on trade date. The costs associated with investment transactions are included within expenses in the Statement of Comprehensive Income.

1.20 *Derivatives financial instruments*

The Company uses derivative financial instruments within some unit-linked funds, with each contract initially and subsequently recognised at fair value, based on observable market prices. All changes in value are recognised within investment income in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.21 *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts to the extent that they are integral part of the Company's cash management.

Cash and cash equivalents held within unit linked funds are classified at fair value through profit and loss, as management have made an irrevocable decision to designate them as such in order to align the measurement of these financial assets with the measurement of their associated unit linked liabilities. Therefore, these cash and cash equivalents are initially and subsequently recognised at fair value through profit and loss, with gains and losses recognised within investment income in the statement of comprehensive income.

All other cash and cash equivalents are classified at amortised cost. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

1.22 *Insurance contract liabilities*

Insurance contract liability provisions are determined following an annual actuarial investigation of the long-term fund in accordance with regulatory requirements. The provisions are calculated on the basis of current information and using the gross premium valuation method. The Company's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under IFRS 4, as they consider current estimates of all contractual cash flows, and of related cash flow such as claims handling costs.

Insurance contract liabilities can never be definitive as to their timing nor the amount of claims and are, therefore, subject to subsequent reassessment on a regular basis.

1.23 *Investment contract liabilities*

All of the Company's investment contracts are unit-linked. Unit-linked liabilities are measured at fair value by reference to the underlying net asset value of the Company's unitised investment funds, determined on a bid value, at the statement of financial position date. An allowance for deductions due to (or from) the Company in respect of policyholder tax on capital gains (and losses) in the life assurance funds is also reflected in the measurement of unit-linked liabilities. Investment contract liabilities are recognised when units are first allocated to the policyholder; they are derecognised when units allocated to the policyholder have been cancelled.

The decision by the Company to designate its unit-linked liabilities at FVTPL reflects the fact that the matching investment portfolio, which underpins the unit-linked liabilities, is recognised at FVTPL.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.24 *Accruals and deferred income*

Accruals are recognised as services are provided and an expense recognised in the statement of comprehensive income.

The initial margin on financial instruments is deferred and recognised on a straight-line basis over the expected lifetime of the financial instrument, which is 6 to 14 years.

1.25 *Payables*

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.26 *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the statement of financial position date and the gains or losses on translation are included in the profit and loss account. The Company's functional currency is pounds Sterling

1.27 *Current and non-current disclosure*

Assets which are expected to be recovered or settled no more than 12 months after the reporting date are disclosed as current within the Notes to the Financial Statements. Those expected to be recovered or settled more than 12 months after the reporting date are disclosed as non-current. Liabilities which are expected or due to be settled no more than 12 months after the reporting date are disclosed as current within the Notes to the Financial Statements. Those liabilities which are expected or due to be settled more than 12 months after the reporting date are disclosed as non-current.

1.28 *First-time adoption of IFRS*

These financial statements, for the year ended 31 December 2021, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS). For periods up to and including the year ended 31 December 2020, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework").

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2020, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2020 and the financial statements as of, and for, the year ended 31 December 2020.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.28 First-time adoption of IFRS (continued)

No reclassification or remeasurement adjustments were made on transition given the Company previously prepared the financial statements under FRS 101 'Reduced Disclosure Framework' and as such only disclosure related adjustments have been processed. As a result, no transition reconciliations are provided as there has been no impact on opening equity, profit, cash flows or net assets for any of the periods presented.

The presentation of the primary statements have been amended to bring the Statement of Financial Position and Statement of Comprehensive Income in line with IFRS requirements and now align to the Group Report.

IFRS 1 allows first-time adopters certain mandatory and optional exemptions from the retrospective application of certain requirements under IFRS. However, given there are no accounting policy changes and only disclosure related amendments the exemptions are not applicable to the Company.

The disclosure exemptions previously taken, which are now included within the Annual Reports and Accounts under IFRS are as follows:

- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

Notes to the Financial Statements (continued)

2. Critical accounting estimates and judgements in applying accounting policies

2.1 Judgements

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

2.1.1 Classification of contracts between insurance and investment business

Contracts with a significant degree of insurance risk are treated as insurance. All other contracts are treated as investment contracts. It is this classification that management considers to be a critical judgement; however, due to the carrying value of the insurance contract liabilities within the statement of financial position, management does not consider insurance business to be significant to the Company.

2.2 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 Company's critical accounting estimates are:

- Determining the value of insurance contract liabilities;
- Determining the fair value of investment property;

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

2.2.1 Measurement of insurance contract liabilities

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

- The lapse assumption, which is set prudently based on an investigation of experience during the year;
- The level of expenses, which is based on actual expenses in 2020 and expected rates in 2021 and the long-term;
- The mortality and morbidity rates, which are based on the results of an investigation of experience during the year; and
- The assumed rate of investment return, which is based on current gilt yields.

Greater detail on the assumptions applied, and sensitivity analysis, is shown in note 14.

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

Notes to the Financial Statements (continued)

2. Critical accounting estimates and judgements in applying accounting policies (continued)

2.2.2 *Determining the fair value of investment property*

In accordance with IAS 40, the Company initially recognises investment properties at cost, and subsequently re-measures its portfolio to fair value in the Statement of Financial Position. Fair value is determined monthly by professional external valuers. It is based on anticipated market values for the properties in accordance with the guidance issued by The Royal Institution of Chartered Surveyors (RICS), being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants.

The valuation of investment property is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income in to the future, the assessment of a property's ability to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. Wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations – and current and historic land use. As such, investment properties are classified as level 3 in the IFRS 13 fair value hierarchy because they are valued using techniques which are not based on observable inputs.

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

Further details of the valuation of investment properties, including sensitivity analysis, are set out in note 19.

Notes to the Financial Statements (continued)

3. Net insurance premium income

The Company writes only direct insurance and has no material business other than the underwriting of contracts within the United Kingdom. This is detailed below. The Directors consider this information to be the appropriate segmental analysis of the Company's direct insurance business.

	Year ended 31 December 2021		
	Life	PHI	Total
	£'Million	£'Million	£'Million
Insurance premium income	13.1	5.8	18.9
Premiums ceded to reinsurers	(8.9)	(6.0)	(14.9)
Net insurance premium income	4.2	(0.2)	4.0

	Year ended 31 December 2020		
	Life	PHI	Total
	£'Million	£'Million	£'Million
Insurance premium income	14.1	6.5	20.6
Premiums ceded to reinsurers	(9.5)	(6.4)	(15.9)
Net insurance premium income	4.6	0.1	4.7

4. Fee and commission income

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Wealth management fees ⁽¹⁾	534.6	457.0
Investment management fees	59.3	65.1
Fund tax deductions ⁽²⁾	488.1	98.1
Impact of policyholder tax asymmetry ⁽¹⁾	(52.9)	61.7
Fee and commission income before DIR amortisation	1,029.1	681.9
Amortisation of DIR	108.3	105.3
Total fee and commission income	1,137.4	787.2

(1) Wealth management fees recognises charges levied on manufactured business. These include some temporary effects relating to life insurance tax. Life insurance tax incorporates a policyholder tax element, and the Financial Statements of a life insurance company need to reflect the liability to HMRC, and the corresponding deductions incorporated into policy charges (see 2. "Fund tax deductions" below). In particular, the tax liability to HMRC is assessed using IAS 12 Income Taxes, which does not allow discounting, whereas the policy charges are designed to ensure fair outcomes between clients and so reflect a wide range of possible outcomes. This gives rise to different assessments of the current value of future cash flows and hence an asymmetry in the 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.

Notes to the Financial Statements (continued)**4. Fee and commission income (continued)**

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

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

5. Investment Return and movement in investment contract benefits

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

	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Investment return on net assets held to cover unit liabilities:		
Rental Income	74.7	86.3
Gain/(loss) on revaluation of investment properties	181.4	(109.7)
Net investment return on financial instruments classified as fair value through profit and loss	10,274.2	4,346.0
	10,530.3	4,322.6
Attributable to unit linked insurance contract liabilities	11.0	4.9
Attributable to unit linked investment contract liabilities	10,519.3	4,317.7
	10,530.3	4,322.6
Investment return on shareholder assets:		
Net investment return on financial instruments classified as fair value through profit and loss	2.6	0.1
Total investment return	10,532.9	4,322.7

Notes to the Financial Statements (continued)

5. Investment Return and movement in investment contract benefits (continued)

The movement in investment contract benefits can be explained as:

	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Balance at 1 January	84,449.7	75,579.2
Deposits	11,330.9	9,474.7
Withdrawals	(5,123.3)	(4,164.2)
Movement in unit-linked investment contract benefits	10,519.3	4,317.7
Less: fees and other adjustments for reassessment of unit liability	(1,122.7)	(757.7)
Balance at 31 December	100,053.9	84,449.7
Current	4,956.9	4,326.3
Non-current	95,097.0	80,123.4
	100,053.9	84,449.7
 Movement in investment contract benefits	 10,519.3	 4,317.7

6. Expenses

	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Acquisition expenses	138.8	112.3
Change in deferred acquisition costs	38.3	51.3
Acquisition commission	0.6	0.7
Acquisition costs incurred	177.7	164.3
Renewal commission (pre-RDR)	98.5	82.6
Administrative expenses	65.5	58.4
Total net operating expenses	341.7	305.3
Investment management fees	59.3	65.1
Total expenses	401.0	370.4

Notes to the Financial Statements (continued)

6. Expenses

The fees payable to the Company's auditors and its associates was paid on behalf of the Company by another Group company, St. James's Place Management Services Limited. There were no non-audit services during 2021 provided to the Company.

	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Fees payable to the Company's auditors and its associates for the audit of the Company's financial statements	0.2	0.2

7. Directors' remuneration

The emoluments received by the Directors in respect of their services to the Company for the year were:

	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Aggregate remuneration	0.7	0.7
Pension contribution	0.1	0.1
Amounts receivable under long term incentive schemes	0.4	0.8
Aggregate emoluments	1.2	1.6

The aggregate emoluments of the highest paid Director in the year were £0.5m (2020 - £0.9m), and cash supplements in lieu of their defined contribution pension scheme totalled £0.1m (2020 - £0.1m). The number of options the highest paid Director exercised over the shares in SJP plc was 987 (2020 - £NIL), and the number of shares receivable by them in respect of qualifying service was 140,965 (2020 - 24,344).

At 31 December 2021, the number of Directors to whom retirement benefits are accruing including those receiving a cash supplement in lieu of their defined contribution pension scheme is 2 (2020 - 3), including the highest paid Director. Retirement benefits are accruing in money purchase schemes for 1 (2020 - 1) Directors at the year end.

The number of Directors who exercised options over the shares in St. James's Place plc during the year while acting as Directors of this Company is 1 (2020 - 1). The number of Directors in respect of whose qualifying services shares were receivable under long-term incentive schemes is 3 (2020 - 3).

The Directors are employed by another Group company, St. James's Place Management Services Limited, which recharges the costs of their emoluments across the companies to whom they provide services.

Notes to the Financial Statements (continued)

8. Income and Deferred taxes

Tax for the year	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Current tax		
UK corporation tax		
- Current year charge	268.5	153.3
- Adjustments in respect of prior year	(6.4)	(0.9)
Overseas tax		
- Current year charge	5.4	4.9
	267.5	157.3
Deferred tax		
Unrealised capital gains/(losses) in unit-linked funds	266.7	(4.0)
Unrelieved expenses		
- Additional expenses recognised in the year	(10.8)	(10.4)
- Utilisation in the year	11.6	11.8
Capital losses		
- Revaluation in the year	(1.4)	(5.4)
- Utilisation in the year	9.1	13.7
- Adjustments in respect of prior year	4.0	0.8
DAC and DIR	(9.0)	(10.1)
Other items	(0.3)	(0.5)
Adjustment for change in tax rate	1.3	4.2
Adjustments in respect of prior periods	-	1.3
	271.2	1.4
Total tax charge for the year	538.7	158.7
Attributable to:		
- Policyholders	488.1	98.0
- Shareholders	50.6	60.7
	538.7	158.7

The prior year adjustment of £6.4 million in current tax above represents a credit of £6.0 million in respect of policyholder tax (2020: £1.5 million credit) and a credit of £0.4 million in respect of shareholder tax (2020: £0.6 million charge). The prior year adjustment of £4.0 million in deferred tax above represents a credit of £nil in respect of policyholder tax (2020: £1.3 million charge) and a charge of £4.0 million in respect of shareholder tax (2020: 0.8 million charge).

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

Notes to the Financial Statements (continued)**8. Income and Deferred taxes (continued)****Reconciliation of tax charge to expected tax**

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Profit before tax	736.0	417.0
Tax attributable to policyholders' returns	(488.1)	(98.0)
Profit before tax attributable to shareholders' return	247.9	319.0
Shareholder tax charge at corporate tax rate of 19% (2020: 19%)	47.1	60.6
Expected shareholder tax	47.1	60.6
Effects of:		
Revaluation of historic capital losses in the Company	(1.4)	-
Adjustment for change in tax rates	1.3	(1.2)
Adjustment in respect of prior periods		
- Current tax	(0.4)	0.5
- Deferred tax	4.0	0.8
	3.5	0.1
Shareholder tax charge	50.6	60.7
Policyholder tax charge	488.1	98.0
Total tax charge for the year	538.7	158.7

Tax calculated on profit/(loss) before tax at 19% (2020: 19%) would amount to £139.8 million (2020: £79.2 million). The difference of £398.9 million (2020: £79.5 million) between this number and the total tax of £538.7 million (2020: £158.7 million) is made up of the reconciling items above which total £3.5 million (2020: £0.1 million) and the effect of the apportionment methodology on tax applicable to policyholder returns of £395.3 million (2020: £79.4 million).

Future tax changes

In the UK budget of 3 March 2021 it was announced that the main rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021 within the Finance Bill 2021 and as a result the relevant deferred tax balances have been remeasured. The total impact of this remeasurement in the deferred tax shown above is a £1.3m charge.

Notes to the Financial Statements (continued)

8. Income and deferred taxes (continued)

Tax paid in the year

	Year ended 31 December 2021	Year ended 31 December 2020
	£'Million	£'Million
Current tax charge for the year	267.5	157.3
(Payments to be made) / refunds due to be received in future years in respect of current year	(0.8)	(39.9)
Payments / (refunds received) made in current year in respect of prior periods	27.6	108.1
Other	1.1	-
Tax paid	295.4	225.5
Tax paid can be analysed as:		
- Taxes paid in UK	287.3	212.1
- Withholding taxes suffered on investment income received	8.1	13.4
Total	295.4	225.5

Deferred tax balances

Deferred tax assets

	Unrelieved expenses on life insurance business	Shareholder capital losses (available for future relief)	Total
	£'Million	£'Million	£'Million
At 31 December 2020	39.8	35.5	75.3
Reanalysis to deferred tax liabilities	(39.8)	(35.5)	(75.3)
At 31 December 2021	-	-	-

Expected utilisation period

As at 31 December 2020	6 years	6 years
As at 31 December 2021	6 Years	5 years

Notes to the Financial Statements (continued)**8. Income and deferred taxes (continued)****Deferred tax liabilities**

	Unrelieved expenses on life insurance business	Deferred acquisition costs (DAC)	Shareholder capital losses (available for future relief)	Unrealised capital gains on life insurance (BLAGAB) assets backing unit liabilities	Other temporary differences	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
At 31 December 2020	-	32.0	-	417.4	0.5	449.9
Reanalysis from deferred tax assets	(39.8)	-	(35.5)	-	-	(75.3)
Charge/(credit) to the Statement of Comprehensive Income						
- Prior year adjustment	-	-	4.0	-	-	4.0
- Utilised and created in year	0.8	(9.0)	7.7	266.7	(0.3)	265.9
- Impact of tax rate change	-	4.3	(3.0)	-	-	1.3
Total charge/(credit)	0.8	(4.7)	8.7	266.7	(0.3)	271.2
At 31 December 2021	(39.0)	27.3	(26.8)	684.1	0.2	645.8

Expected utilisation period

As at 31 December 2020	6 years	14 years	6 years	6 years
As at 31 December 2021	6 Years	14 years	5 years	6 years

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

The presentation of the deferred tax assets and liabilities has changed in the year. In 2020 these were offset against each other and presented as provisions for other risks and charges. In 2021 the presentation has been amended to match that of the Group Report under IFRS, and as such brought forward assets have been reallocated into the deferred tax liabilities table above.

Notes to the Financial Statements (continued)

9. Dividends

	Year ended 31 December 2021 £'Million	Year ended 31 December 2020 £'Million
Dividend paid in respect of previous financial year	220.0	200.0
Proposed dividend in respect of current financial year	280.0	220.0

The proposed dividend for the financial year is equivalent to £2.55 per share (2020 - £2.00 per share)

10. Investments in Group undertakings

	Total £'Million
Cost	
At 1 January 2021	17.1
At 31 December 2021	17.1
Provisions	
At 1 January 2021	-
At 31 December 2021	-
Net book value	
At 31 December 2021	17.1
At 31 December 2020	17.1

Subsidiary undertakings

SJPUK owns 100% of the equity share capital of St. James's Place International (Hong Kong) Limited 22079694, a company incorporated in Hong Kong at the address, 1/F Henley Building, 5 Queen's Road Central, Hong Kong. St. James's Place International (Hong Kong) Limited commenced trading as a Long-Term Insurance Business in March 2017.

Notes to the Financial Statements (continued)

11. Investments, investment property and cash and cash equivalents

Net assets held to cover unit liabilities

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

	31 December 2021	31 December 2020	As at 1 January 2020 (unaudited)
	£'Million	£'Million	£'Million
Market value			
Investment property	1,568.5	1,526.7	1,750.9
Equities	3,049.2	4,175.9	4,768.8
Fixed income securities	233.0	287.4	269.7
Investment in Collective Investment Schemes	95,052.8	78,348.0	68,714.6
Cash and cash equivalents	243.3	247.9	207.5
Derivative financial instruments	-	0.6	1.3
Other receivables	206.6	193.0	195.1
Other payables	(534.5)	(547.0)	(441.0)
Total	99,818.9	84,232.5	75,466.9

Net assets held to cover linked liabilities, and third-party holdings in unit trusts, are considered to have a maturity of up to one year since the corresponding unit liabilities are repayable and transferable on demand. See accounting policy 1.26 for further information on current and non-current disclosure

Investment Property

	31 December 2021	31 December 2020	As at 1 January 2020 (unaudited)
	£'Million	£'Million	£'Million
Balance at 1 January	1,526.7	1,750.9	1,820.7
Additions	-	-	42.5
Capitalised expenditure on existing properties	19.2	27.5	14.4
Disposals	(158.8)	(142.0)	(52.5)
Changes in fair values	181.4	(109.7)	(74.2)
Balance at 31 December	1,568.5	1,526.7	1,750.9

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

Notes to the Financial Statements (continued)

11. Investments, investment property and cash and cash equivalents (continued)

Investment Property (continued)

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

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

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

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

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

	31 December 2021	31 December 2020	As at 1 January 2020 (unaudited)
	£'Million	£'Million	£'Million
Rental income	74.7	86.3	94.1
Direct operating expenses	10.0	21.1	8.1

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

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

Notes to the Financial Statements (continued)

11. Investments, investment property and cash and cash equivalents (continued)

Investment Property (continued)

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

	31 December 2021	31 December 2020	As at 1 January 2020 (unaudited)
	£'Million	£'Million	£'Million
Undiscounted contractual rental income to be received in:			
Year 1	66.9	76.0	86.8
Year 2	64.2	72.3	83.4
Year 3	59.8	67.1	77.3
Year 4	51.7	61.8	71.7
Year 5	42.8	53.2	65.0
Year 6 onwards	265.2	276.6	339.1
Total undiscounted contractual rental income to be received	550.6	607.0	723.3

Cash and cash equivalents

	31 December 2021	31 December 2020	As at 1 January 2020 (unaudited)
	£'Million	£'Million	£'Million
Cash at bank	101.5	126.6	115.7
Cash and cash equivalents not held to cover unit liabilities	101.5	126.6	115.7
Balances held to cover unit liabilities	243.3	247.9	207.5
Total cash and cash equivalents	344.8	374.6	323.2

All cash and cash equivalents are considered current.

Notes to the Financial Statements (continued)

11. Investments, investment property and cash and cash equivalents (continued)

Investment in Collective Investment Schemes (CIS)

	31 December 2021 £'Million	31 December 2020 £'Million	As at 1 January 2020 (unaudited) £'Million
Investment in CIS not held to cover unit liabilities	1,172.9	889.7	848.9
Balances held to cover unit liabilities	95,052.8	78,348.0	68,714.6
Total investment in Collective Investment Schemes	96,225.7	79,237.7	69,563.6

All investments in collective investment schemes are considered current.

12. Receivables

	31 December 2021 £'Million	31 December 2020 £'Million	As at 1 January 2020 (unaudited) £'Million
Amounts due from policyholders ⁽¹⁾	114.3	148.1	84.2
Amounts due from intermediaries ⁽²⁾	79.1	68.0	65.9
Reinsurance receivables	1.0	2.1	1.7
Amounts owed by Group undertakings ⁽³⁾	-	0.1	10.4
Other receivables	19.4	16.0	13.6
	213.8	234.3	175.8
Policyholder interests in receivables ⁽⁴⁾ (see Note 11)	206.6	193.0	195.1
Total other receivables	420.4	427.3	370.9

All items within receivables meet the definition of financial assets. The fair value of those financial assets held at amortised costs is not materially different from amortised cost.

All balances within receivables are current.

- (1) Amounts due from policyholder relate to outstanding policy-related settlement timings and fund tax deductions. During the last quarter of 2020 significant market gains led to a significant policyholder tax charge resulting in significant amounts being due from the funds.
- (2) Amounts due from intermediaries relate to annual management charges fees due from policyholders.
- (3) Amounts owed by Group undertakings are unsecured, interest free and repayable on demand
- (4) Policyholder interests in receivables primarily relate to outstanding market trade settlements (sales) in the life unit-linked funds, typically settled within three days.

Notes to the Financial Statements (continued)

13. Prepayments and accrued income

	31 December 2021 £'Million	31 December 2020 £'Million
Prepayment of operational readiness amortisation	162.9	172.8
Other prepayments	2.0	1.8
	164.9	174.6
Current	15.6	15.1
Non-current	149.3	159.5
Total	164.9	174.6

During the year the Company made a final prepayment of the operational readiness prepayment to another Group entity. The operational readiness prepayment relates to the administration platform developed by our key outsourced back-office administration provider. Management have assessed the recoverability of this prepayment against the expected cost saving benefit of lower future tariff costs arising from the new platform. It is believed that any reasonably possible change in the assumptions applied within this assessment, such as levels of future business, the anticipated future service tariffs and the discount rate, would have no impact on the carrying value of the asset.

14. Insurance contract liabilities and reinsurance assets

Risk

Insurance risk arises from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. The Company assumes insurance risk by issuing insurance contracts under which the Company agrees to compensate the client (or other beneficiary) if a specified future event (the insured event) occurs. The Company has insurance mortality and morbidity risks but has no longevity risk as we have never written any annuity business. The Company has a low appetite for insurance risk, only actively pursuing it where financially beneficial, or in support of strategic objectives.

Risk	Description	Management
Underwriting	Failure to price appropriately for a risk, or the impact of anti-selection.	The Company ceased writing new protection business in April 2011. Experience is monitored regularly. For most business the premium or deduction rates can be re-set. The Company has fully reinsured the UK insurance risk.
Epidemic/Disaster	An unusually large number of claims arising from a single incident or event.	Protection is provided through reinsurance. The Company has fully re-insured the UK insurance risk.
Expense	Administration costs exceed expense allowance.	Administration is outsourced and a tariff of costs is agreed. The contract is monitored regularly to rationalise costs incurred. Internal overhead expenses are monitored and closely managed.
Retention	Unexpected movement in future profit due to more (or less) clients than anticipated withdrawing their funds.	Retention of insurance contracts is closely monitored, and unexpected experience is investigated. Retention experience has continued in line with assumptions.

Notes to the Financial Statements (continued)

14. Insurance contract liabilities and reinsurance assets (continued)

Insurance contract liabilities

	31 December 2021 £'Million	31 December 2020 £'Million
Balance at 1 January	236.3	240.5
Movement in unit-linked liabilities	(3.8)	(8.6)
Movement in liabilities		
- Existing business	(1.9)	(2.1)
- Other assumption changes	(4.7)	4.3
- Experience variances	(3.9)	2.2
Total movement in liabilities	(14.3)	(4.2)
Balance at 31 December	222.0	236.3
Unit-linked	131.8	135.6
Non-unit linked	90.2	100.7
	222.0	236.3
Current	48.1	45.6
Non-current	173.9	190.7
	222.0	236.3

See accounting policy 1.27 for further information on the current and non-current disclosure.

As the Group closed to new insurance business in 2011, the movement in insurance contract liabilities in relation to new business represents the change in insurance contract liabilities for incremental business written during the year for existing policies.

Reinsurance Assets

	31 December 2021 £'Million	31 December 2020 £'Million
Reconciliation of the movement in the net reinsurance balance:		
Reinsurance assets at 1 January	92.3	88.6
Reinsurance component of change in insurance liabilities	(9.9)	3.7
Reinsurance assets at 31 December	82.4	92.3
Current	15.9	17.8
Non-current	66.5	74.5
	82.4	92.3

Notes to the Financial Statements (continued)

14. Insurance contract liabilities and reinsurance assets (continued)

Assumptions used in the calculation of insurance liabilities and reinsurance assets

The principal assumptions used in the calculation of the liabilities are:

Assumption	Description											
Interest rate	The valuation interest rate is calculated by reference to the long-term gilt yield at 31 December 2021. The specific rates used are between 0.5% and 0.8% depending on the tax regime (0.1% and 0.4% at 31 December 2020).											
Mortality	Mortality is based on Company experience and is set at 72% of the TM/F92 tables with an additional loading for smokers. There has been no change since 2006.											
Morbidity – Critical Illness	Morbidity is based on Company experience. There has been no change during 2021. Sample annual rates per £ for a male non-smoker are: <table><tr><th>Age</th><th>Rate – 2020 and 2021</th></tr><tr><td>25</td><td>0.000760</td></tr><tr><td>35</td><td>0.001334</td></tr><tr><td>45</td><td>0.003189</td></tr></table>	Age	Rate – 2020 and 2021	25	0.000760	35	0.001334	45	0.003189			
Age	Rate – 2020 and 2021											
25	0.000760											
35	0.001334											
45	0.003189											
Morbidity – Permanent Health Insurance	Morbidity is based on Company experience. There has been no change during 2021. Sample annual rates per £ income benefit for a male non-smoker are: <table><tr><th>Age</th><th>Rate – 2020 and 2021</th></tr><tr><td>25</td><td>0.00274</td></tr><tr><td>35</td><td>0.00723</td></tr><tr><td>45</td><td>0.01569</td></tr></table>	Age	Rate – 2020 and 2021	25	0.00274	35	0.00723	45	0.01569			
Age	Rate – 2020 and 2021											
25	0.00274											
35	0.00723											
45	0.01569											
Expenses	Contract liabilities are calculated allowing for the actual costs of administration of the business. The assumption has been amended to allow for changes to the underlying administration costs. <table><tr><th rowspan="2">Product</th><th colspan="2">Annual cost</th></tr><tr><th>2021</th><th>2020</th></tr><tr><td>Protection business</td><td>£34.40</td><td>£40.56</td></tr></table>	Product	Annual cost		2021	2020	Protection business	£34.40	£40.56			
Product	Annual cost											
	2021	2020										
Protection business	£34.40	£40.56										
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. Sample annual lapse rates are: <table><tr><th rowspan="2">2020 and 2021</th><th colspan="3">Lapses</th></tr><tr><th>Year 1</th><th>Year 5</th><th>Year 10</th></tr><tr><td>Protection business</td><td>7%</td><td>9%</td><td>8%</td></tr></table>	2020 and 2021	Lapses			Year 1	Year 5	Year 10	Protection business	7%	9%	8%
2020 and 2021	Lapses											
	Year 1	Year 5	Year 10									
Protection business	7%	9%	8%									

Notes to the Financial Statements (continued)

14. Insurance contract liabilities and reinsurance assets (continued)

Sensitivity analysis

The table below sets out the sensitivity of the profit on insurance business and net assets to key assumptions. The analysis reflects the change in the variable / assumption shown while all other variables / assumptions are left unchanged. In practice variables / assumptions may change at the same time as some may be correlated (for example, an increase in interest rates may also result in an increase in expenses if the increase reflects higher inflation). It should also be noted that in some instance's sensitivities are non-linear. The sensitivity percentage has been applied in proportion to the assumption: for example, application of a 10% sensitivity to a withdrawal assumption of 8% will increase it to 8.8%.

	Change in assumption	Change in profit/(loss) before tax 2021	Change in profit/(loss) before tax 2020	Change in net assets 2021	Change in net assets 2020
Sensitivity analysis	%	£'000	£'000	£'000	£'000
Withdrawal rates	10%	(1.2)	(1.2)	(1.2)	(1.2)
Expense assumptions	10%	(13.7)	(7.8)	(13.7)	(7.8)
Mortality/morbidity	5%	0.0	0.0	0.0	0.0

Profit shows little sensitivity to variations in withdrawal rates or mortality/morbidity as the protection book is wholly reassured as a result of the Swiss Re treaty agreed in 2013.

A change in interest rates will have no material impact on insurance profit or net assets.

The provision includes an amount to reflect the tax charges taken from the unit-linked policyholders but not yet due and payable to the UK tax authorities in respect of deemed gains on holdings in unit trusts.

Notes to the Financial Statements (continued)

15. Capital Management

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

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

The policy requires that each subsidiary manages its own capital, to maintain regulatory solvency.

Regulatory capital

The Group's capital management policy requires the Company to hold the higher of:

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

The Company is required to hold sufficient capital to meet the capital requirements under the Solvency II Directive. The Company held capital in excess of these requirements as shown below:

	31 December 2021 £'Million	31 December 2020 £'Million
Total shareholders' funds	392.4	415.1
Adjustments to regulatory basis:		
Technical reserves	4,894.4	3,864.6
Deferred acquisition costs	(236.0)	(274.3)
Deferred income reserve	270.3	285.0
Deferred tax impact	(913.6)	(442.6)
Other	(17.1)	(23.2)
Own funds	4,390.4	3,824.6
 Solvency Capital Requirement	 3,634.2	 3,256.8
 Solvency ratio	 120.8%	 117.0%
Proposed dividend	(280.0)	(220.0)
Free assets post proposed dividend	476.2	347.8
 Revised solvency ratio post proposed dividend	 113.1%	 111.0%

Under Solvency II, the technical provisions comprise a Best Estimate Liability (BEL) and a Risk Margin (RM). The Solvency II valuation methodology is outlined in the Group's Solvency and Financial Condition Report (SFCR) available on the Group's website.

Notes to the Financial Statements (continued)

16. Payables

	31 December 2021 £'Million	31 December 2020 £'Million	As a 1 January 2020 (unaudited)
Payables arising out of direct insurance operations ⁽¹⁾	110.4	152.0	126.4
Amounts owed to Group undertakings ⁽²⁾	37.6	27.8	23.5
Claims outstanding ⁽³⁾	6.1	5.0	4.9
Corporation tax payable	0.7	41.0	117.8
Other payables	4.4	-	-
	159.2	225.8	272.6
Policyholder interests in payables ⁽⁴⁾ (See Note 11)	534.5	547.0	441.0
Total payables	693.7	772.8	713.6

All balances within payables are current.

- (1) Payables arising out of direct insurance operations relate to outstanding policy-related settlement timings.
- (2) Amounts owed to Group undertakings are unsecured, interest-free and repayable on demand.
- (3) Claims outstanding comprise amounts due to policyholders for death claims, maturities and surrenders.
- (4) Policyholder interests in payables primarily relate to outstanding market trade settlements (purchases) in the life unit-linked funds, typically settled within three days.

Notes to the Financial Statements (continued)

17. Accruals, deferred acquisition costs (DAC) and deferred income (DIR)

DAC and DIR developed over the current year as follows:

	DAC £'Million	DIR £'Million
Cost		
At 1 January 2020	885.8	(954.3)
Additions	11.9	(85.9)
Disposals	(67.9)	52.7
At 31 December 2020	829.8	(987.5)
At 1 January 2021	829.8	(987.5)
Additions	19.9	(93.6)
Disposals	(88.4)	64.5
At 31 December 2021	761.3	(1,016.6)
Accumulated Amortisation		
At 1 January 2020	560.3	(649.9)
Charge for the year	63.1	(105.3)
Eliminated on disposal	(67.9)	52.7
At 31 December 2020	555.5	(702.5)
At 1 January 2021	555.5	(702.5)
Charge for the year	58.2	(108.3)
Eliminated on disposal	(88.4)	64.5
At 31 December 2021	525.3	(746.3)
Net book value		
At 1 January 2020	325.5	(304.4)
At 31 December 2020	274.3	(285.0)
At 31 December 2021	236.0	(270.3)
Current	53.0	(108.1)
Non-current	183.0	(162.2)
	236.0	(270.3)

As at the year end the balances were:

	31 December 2021 £'Million	31 December 2020 £'Million
Deferred acquisition cost		
Deferred acquisition costs	236.0	274.3
Accruals and Deferred Income		
Deferred income	270.3	285.0
Accruals	63.9	55.0
	334.2	340.0

All balances within accruals are current.

Notes to the Financial Statements (continued)

18. Share Capital

	31 December 2021 £'Million	31 December 2020 £'Million
Allotted, called up and fully paid		
110,000,001 (2020 - 110 million) Ordinary shares of £1 each	110.0	110.0

19. Financial risk

Risk management objectives and risk policies

The Company's financial risk can usefully be considered in two categories of assets:

- Assets backing unit liabilities (see note 11); and
- Shareholder assets.

In general, the policyholder bears the financial risk on assets backing the unitised business, and risk from shareholder assets is minimised through investment in liquid assets with a strong credit rating.

Exposure to the following risks for the two categories of assets is analysed separately in the following sections in line with the requirements of IFRS 7:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Currency risk.

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit. Credit risk also arises from holdings of cash and cash equivalents, deposits and formal loans with banks and financial institutions. The Company has adopted a risk-averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

Risk	Description	Management
Cash or expense requirement	Loss of assets or reduction in value.	Shareholder funds are predominantly invested in AAA-rated unitised money market funds, which are classified as investments in Collective Investment Schemes (CIS), and deposits with approved banks, but may be invested in sovereign fixed interest securities such as UK gilts where regulatory constraints on other assets apply. Maximum <i>counterparty limits</i> are set at a Company level.
Reinsurance	Failure of counterparty or counterparty unable to meet liabilities	Credit ratings of potential reinsurers must meet or exceed AA-. Consideration is also given to size, risk concentrations/exposures and ownership in the selection of reinsurers. The Company also seeks to diversify its reinsurance credit risk through the use of a spread of reinsurers.

Notes to the Financial Statements (continued)

19. Financial risk (continued)

Risk management objectives and risk policies (continued)

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. The Company is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

Risk	Description	Management
Cash or expense requirement	A significant cash or expense requirement needs to be met at short notice.	The majority of free assets are invested in cash or cash equivalents and the cash position and forecast are monitored on a monthly basis.

Market risk is the impact a fall in the value of equity or other asset markets may have on the business. The Company adopts a risk-averse approach to market risk, with a stated solvency policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Company accepts the risk that a fall in equity or other asset markets will reduce the level of annual management charge income derived from policyholder assets and the risk of lower future profits.

The table below summarises the main market risks that the business is exposed to and the methods by which the Company seeks to mitigate them.

Risk	Description	Management
Client liabilities	As a result of a reduction in equity values, the Company may be unable to meet client liabilities.	This risk is substantially mitigated by the Company's strategic focus on unitised business, by not providing guarantees to clients on policy values and by the matching of assets and liabilities.
Retention	Loss of future profit on investment contracts due to more clients than anticipated withdrawing their funds, particularly as a result of poor investment performance.	Retention of investment contracts is closely monitored, and unexpected experience variances are investigated. Retention has remained consistently strong throughout 2021, despite volatile market conditions.
New business	Poor performance in the financial markets in absolute terms, and relative to inflation, leads to existing and future clients rejecting investment in longer-term assets.	The benefit to clients of longer-term equity investment as part of a diversified portfolio of assets is fundamental to our philosophy. Advice and marketing become even more important when market values fall, and greater attention is required to support and give confidence to existing and future clients in such circumstances. This is taken account of by the Company in its activities.

The Company is not subject to any significant direct **currency risk** since all material shareholder financial assets and financial liabilities are denominated in Sterling. However, since future profits are dependent on charges based on FUM, changes in FUM as a result of currency movements will impact future profits.

Notes to the Financial Statements (continued)

19. Financial risk (continued)

SHAREHOLDER ASSETS

The impact of climate change does not have a material impact on the fair values of the assets summarised below.

Categories of financial assets and financial liabilities

The categories and carrying values of the financial assets and financial liabilities held in the Company's statement of financial position are summarised in the table below:

31 December 2021

	Assets at fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at fair value through profit and loss	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Financial assets:					
Investment in Collective Investment Schemes ⁽¹⁾	965.3	-	-	-	965.3
Other financial investments ⁽²⁾	207.6	-	-	-	207.6
Receivables ⁽³⁾	-	213.8	-	-	213.8
Cash and cash equivalents	-	101.5	-	-	101.5
Total financial assets	1,172.9	315.3	-	-	1,488.2
Financial liabilities:					
Payables	-	-	-	159.2	159.2
Total financial liabilities	-	-	-	159.2	159.2

31 December 2020*

	Assets at fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at fair value through profit and loss	Financial liabilities measured at amortised cost	Total
	£'Million	£'Million	£'Million	£'Million	£'Million
Financial assets:					
Investment in Collective Investment Schemes ⁽¹⁾	699.1	-	-	-	699.1
Other financial investments ⁽²⁾	190.6	-	-	-	190.6
Receivables ⁽³⁾	-	234.3	-	-	234.3
Cash and cash equivalents	-	126.6	-	-	126.6
Total financial assets	889.7	360.9	-	-	1,250.6
Financial liabilities:					
Payables	-	-	-	225.8	225.8
Total financial liabilities	-	-	-	225.8	225.8

(1) All assets included as shareholder investment in Collective Investment Schemes are holdings of high-quality, highly liquid Money Market funds.

(2) Other financial investments represent management holdings in the SJP Unit Trusts.

(3) Receivables exclude prepayments, which are not considered financial assets.

*The 31 December 2020 receivables and payables figures have been restated to align with the balance sheet on transition to IFRS. The impact of these adjustments is immaterial.

Notes to the Financial Statements (continued)

19. Financial risk (continued)

SHAREHOLDER ASSETS (continued)

Income, expense, gains and losses arising from financial assets, investment properties and financial liabilities

The income, expense, gains and losses arising from financial assets are summarised in the table below:

There are no shareholder income, expense, gains and losses arising from financial liabilities.

31 December 2021

	Financial assets at fair value through profit and loss ⁽¹⁾	Financial assets at amortised cost ⁽²⁾	Total
	£'Million	£'Million	£'Million
Financial Assets:			
Investment in Collective Investment Schemes	0.1	-	0.1
Cash and cash equivalents	-	-	-
Total financial assets	0.1	-	0.1

31 December 2020

	Financial assets at fair value through profit and loss ⁽¹⁾	Financial assets at amortised cost ⁽²⁾	Total
	£'Million	£'Million	£'Million
Financial Assets:			
Investment in Collective Investment Schemes	2.2	-	2.2
Cash and cash equivalents	-	0.4	0.4
Total financial assets	2.2	0.4	2.6

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.

(2) None of the change in the fair value of financial liabilities at fair value through profit and loss is attributable to changes in their credit risk.

Notes to the Financial Statements (continued)**19. Financial risk (continued)****SHAREHOLDER ASSETS (continued)****Fair value estimation**

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

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

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

31 December 2021

	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties:				
Investment in Collective Investment Schemes ⁽¹⁾	965.3	-	-	965.3
Other financial investments	207.6	-	-	207.6
Total financial assets	1,172.9	-	-	1,172.9

31 December 2020

	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties:				
Investment in Collective Investment Schemes ⁽¹⁾	699.1	-	-	699.1
Other financial investments	190.6	-	-	190.6
Total financial assets	889.7	-	-	889.7

(1) All assets included as shareholder investment in Collective Investment Schemes are holdings of high-quality, highly liquid unitised money market funds.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the statement of financial position date, as described in note 1 to these financial statements. These instruments are included in Level 1.

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

Notes to the Financial Statements (continued)

19. Financial risk (continued)

SHAREHOLDER ASSETS (continued)

Credit risk

The following table sets out the maximum credit risk exposure and ratings of shareholder financial and other assets which are susceptible to credit risk:

31 December 2021	AAA	AA	A	BBB	Unrated	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Investments in Collective Investment Schemes ⁽¹⁾	965.3	-	-	-	-	965.3
Other financial investments	-	-	-	-	207.6	207.6
Reinsurance assets	-	82.4	-	-	-	82.4
Receivables	-	-	-	-	213.8	213.8
Cash and cash equivalents	-	-	101.5	-	-	101.5
Total	965.3	82.4	101.5	-	421.4	1,570.6

31 December 2020*	AAA	AA	A	BBB	Unrated	Total
	£'Million	£'Million	£'Million	£'Million	£'Million	£'Million
Investments in Collective Investment Schemes ⁽¹⁾	699.1	-	-	-	-	699.1
Other financial investments	-	-	-	-	190.6	190.6
Reinsurance assets	-	92.3	-	-	-	92.3
Receivables	-	-	-	-	234.3	234.3
Cash and cash equivalents	-	-	126.6	-	-	126.6
Total	699.1	92.3	126.6	-	424.9	1,342.9

(1) All assets included as shareholder investment in Collective Investment Schemes are holdings of high-quality, highly liquid unitised money market funds.

*The 31 December 2020 receivables and payables figures have been restated to align with the balance sheet on transition to IFRS. The impact of these adjustments is immaterial.

Notes to the Financial Statements (continued)**19. Financial risk (continued)****SHAREHOLDER ASSETS (continued)****Contractual maturity and liquidity analysis**

The following table sets out the contractual maturity analysis exposure of the Company's financial assets and liabilities:

31 December 2021	Up to 1 year	1 – 5 years	Over 5 years	Total
	£'Million	£'Million	£'Million	£'Million
Financial Assets:				
Investments in Collective Investment Schemes	965.3	-	-	965.3
Other financial investments	207.6	-	-	207.6
Receivables	213.8	-	-	213.8
Cash and cash equivalents	101.5	-	-	101.5
Total financial assets	1,488.2	-	-	1,488.2
Financial Liabilities:				
Payables	159.2	-	-	159.2
Total financial liabilities	159.2	-	-	159.2
31 December 2020*	Up to 1 year	1 – 5 years	Over 5 years	Total
	£'Million	£'Million	£'Million	£'Million
Financial Assets:				
Investments in Collective Investment Schemes	699.1	-	-	699.1
Other financial investments	190.6	-	-	190.6
Receivables	234.3	-	-	234.3
Cash and cash equivalents	126.6	-	-	126.6
Total financial assets	1,250.6	-	-	1,250.6
Financial Liabilities:				
Payables	225.8	-	-	225.8
Total financial liabilities	225.8	-	-	225.8

*The 31 December 2020 receivables and payables figures have been restated to align with the balance sheet on transition to IFRS. The impact of these adjustments is immaterial.

Sensitivity analysis to market risks

Financial assets and liabilities held outside unitised funds primarily consist of fixed interest securities, units in money market funds, cash and cash equivalents, and other accounting assets and liabilities. Cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

As a result of these combined factors, the Company's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Company's profit after tax. Future profits from annual management charges may be affected by movements in interest rates and equity values.

Notes to the Financial Statements (continued)

19. Financial risk (continued)

UNIT LIABILITIES AND ASSOCIATED ASSETS

Categories of financial assets and financial liabilities

Assets held to cover unit liabilities are summarised in note 11, and are held at fair value through profit or loss. They are designated as such upon initial recognition.

Income, expense, gains and losses arising from financial assets, investment properties and financial liabilities

The income, expense, gains and losses arising from financial assets, investment properties and financial liabilities are summarised in the table below:

	31 December 2021 £'Million	31 December 2020 £'Million
Financial assets and investment properties:		
Investment properties	246.2	(44.4)
Other assets backing unit liabilities	10,540.2	4,343.3
Total financial assets	10,786.4	4,298.9
Financial liabilities		
Unit Liabilities	10,519.3	4,317.7
Total financial liabilities	10,519.3	4,317.7

None of the change in the fair value of financial liabilities at fair value through profit or loss is attributable to changes in their credit risk.

Losses have been recognised within the investment return line in the Statement of Comprehensive Income.

Fair value estimation

As set out on page 67, financial assets and liabilities which are held at fair value in the statement of financial position are required to have disclosed their fair value measurements by level of the following fair value measurement hierarchy. The following table presents the Company's unit liabilities and associated assets measured at fair value:

There are no shareholder liabilities measured at fair value:

31 December 2021	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties:				
Investment properties	-	-	1,568.5	1,568.5
Equities	3,049.2	-	-	3,049.2
Fixed income securities	233.0	-	-	233.0
Investment in Collective Investment schemes	95,052.8	-	-	95,052.8
Derivative financial instruments	-	-	-	-
Total financial assets	98,335.0	-	1,568.5	99,903.5
Financial liabilities:				
Investment contract benefits	-	100,053.9	-	100,053.9
Total financial liabilities	-	100,053.9	-	100,053.9

Notes to the Financial Statements (continued)

19. Financial risk (continued)

UNIT LIABILITIES AND ASSOCIATED ASSETS (continued)

Fair value estimation (continued)

31 December 2020	Level 1 £'Million	Level 2 £'Million	Level 3 £'Million	Total balance £'Million
Financial assets and investment properties:				
Investment properties	-	-	1,526.7	1,526.7
Equities	4,175.9	-	-	4,175.9
Fixed income securities	287.4	-	-	287.4
Investment in Collective Investment schemes	78,348.0	-	-	78,348.0
Derivative financial instruments	-	0.6	-	0.6
Total financial assets	82,811.3	0.6	1,526.7	84,338.6
Financial liabilities:				
Investment contract benefits	-	84,449.7	-	84,449.7
Total financial liabilities	-	84,449.7	-	84,449.7

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

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

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

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

- The use of observable prices for identical current arm's length transactions.

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

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

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

Notes to the Financial Statements (continued)

19. Financial risk (continued)

UNIT LIABILITIES AND ASSOCIATED ASSETS (continued)

Fair value estimation (continued)

Transfers into/out of Level 3 portfolios

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

The following table presents the movement in investment properties during the year, which are the only assets classified in Level 3 of the fair value hierarchy:

	2021	2020
	£'Million	£'Million
Balance at 1 January	1,526.7	1,750.9
Additions during the year	19.2	27.5
Disposed during the year	(158.8)	(142.0)
Gains/(losses) recognised in the statement of comprehensive income	181.4	(109.7)
Balance at 31 December	1,568.5	1,526.7
Realised gains	41.5	42.8
Unrealised gains/(losses)	139.9	(152.5)
Gains/(losses) recognised in the income statement	181.4	(109.7)

Unrealised and realised gains/(losses) for all Level 3 assets are recognised within investment return in the Statement of Comprehensive Income. There are no transfers between Level 2 and Level 3.

Notes to the Financial Statements (continued)

19. Financial risk (continued)

UNIT LIABILITIES AND ASSOCIATED ASSETS (continued)

Fair value estimation (continued)

Level 3 valuations

The principal assets classified as Level 3 are investment properties amounting to £1,568.5m (2020: £1,526.7m). Investment property is initially measured at cost including related acquisition costs and subsequently valued monthly by professional external valuers at the properties' respective fair values at each reporting date. The fair values derived are based on anticipated market values for the properties in accordance with the guidance issued by the Royal Institution of Chartered Surveyors, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of investment property is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income into the future, an assessment of a property's potential to remain as an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment.

The following table sets out the unobservable inputs utilised in the valuation of the investment properties:

	Investment property classification			
	Offices	Industrial	Retail & leisure	All
31 December 2021				
Gross ERV (per sq. ft)*				
Range	£15.00-£95.06	£4.75-£19.00	£2.50-£99.98	£2.50-£99.98
Weighted average	£42.19	£11.10	£13.18	£16.58
True equivalent yield				
Range	4.2% - 11.5%	3.1% - 5.2%	5.1% - 20.3%	3.1% - 20.3%
Weighted average	5.4%	3.7%	6.7%	5.1%
31 December 2020				
Gross ERV (per sq. ft)*				
Range	£15.00-£96.04	£4.13-£17.50	£2.50-£105.01	£2.50-£105.01
Weighted average	£42.19	£9.16	£13.56	£15.20
True equivalent yield				
Range	4.2% - 9.4%	3.8% - 5.7%	4.0% - 15.1%	3.8% - 15.1%
Weighted average	5.4%	4.5%	7.1%	5.6%
* Equivalent rental value (per square foot)				

Notes to the Financial Statements (continued)

19. Financial risk (continued)

UNIT LIABILITIES AND ASSOCIATED ASSETS (continued)

Fair value estimation (continued)

Sensitivity of Level 3 valuations

The following table sets out the effect of applying reasonably possible alternative assumptions, being a 10% movement in estimated rental value and a 50-bps movement in relative yield, to the valuation of the investment properties. Any change in the value of investment property is matched by the associated movement in the policyholder liability and therefore would not impact on the shareholder net assets.

Investment property	Significant unobservable inputs	Effect of reasonable possible alternative assumptions of the Statement of Financial Position		
		Carrying Value £'Million	Favourable changes £'Million	Unfavourable changes £'Million
31 December 2021	Expected rental value / Relative yield	1,568.5	1,921.0	1,292.3
31 December 2020	Expected rental value / Relative yield	1,526.7	1,839.5	1,285.3

Credit risk

Credit risk relating to unit liabilities is borne by the unit holders.

Contractual maturity and liquidity risk

Unit liabilities (and the associated assets) are deemed to have a maturity of up to one year since they are repayable and transferable on demand. In practice the contractual maturities of the assets may be longer than one year, but the majority of assets held within the unit-linked and unit trust funds are highly liquid and the Company also actively monitors fund liquidity.

Sensitivity analysis to market risks

The majority of the Company's business is unitised, and the direct associated market risk is therefore borne by unit holders. For completeness, we note that there is an indirect risk associated with market performance as future shareholder income is dependent upon markets; however, the direct risk has been mitigated through the Company's approach to matching assets and liabilities.

Notes to the Financial Statements (continued)

20. Related parties

The Company's related parties include the key management personnel and companies within the St. James's Place Group.

Transactions with key management personnel

Key management personnel have been defined as the Board of Directors. There were no transaction with the Board of Directors other than those disclosed in Note 7.

Other related parties

The total value of St. James's Place funds under management held by related parties of the Company as at 31 December 2021 was £36.3 million (2020 - £32.8 million).

The amounts owed to Group companies as at 31 December are as follows:

	31 December 2021 £'Million	31 December 2020 £'Million
<i>Intra-Group receivables, net of provisions</i>		
St. James's Place Unit Trust Group Limited	-	0.1
Total	-	0.1
<i>Intra-Group payables</i>		
St. James's Place (Hong Kong) Limited	0.1	0.1
St. James's Place International Limited	-	0.1
St. James's Place Investment Administration Limited	-	0.2
St. James's Place Management Services Limited	5.5	1.4
St. James's Place (Singapore) Private Limited	0.1	0.1
St. James's Place Unit Trust Group Limited	13.2	-
St. James's Place Wealth Management plc	18.6	25.9
St. James's Place Wealth Management (Shanghai) Limited	0.1	0.1
Total	37.6	27.9

Transactions with related parties

The company is party to a Distribution Agreement with St. James's Place Wealth Management plc ("SJPWM") whereby SJPWM has agreed to market and distribute the company's products through the Group's UK distribution network (The St. James's Place Partnership), and in other territories as provided for under the agreement, which includes the provision of advice by Partners to their clients in accordance with the agreement. SJPUK has agreed to facilitate the payment of advice charges from the client to SJPWM for this activity where this is provided for in the relevant SJPUK product, and otherwise remunerate SJPWM for this activity through the payment of commission. During 2021 a total amount of £782.2m (2020: £601.6m) was paid to SJPWM under the terms of the agreement.

The Company is a party to a management services agreement with St. James's Place Management Services Limited ('SJPMs'), whereby certain staff members of SJPMs provide specified management services in accordance with the terms of the agreement. A total amount of £130.9m was charged under the agreement in 2021 (2020: £91.8m).

Notes to the Financial Statements (continued)

20. Related party balances (continued)

Within the year, the company entered into a transaction with St. James's Place Unit Trust Group Limited ("SJPUTG") to settle a HMRC 2020 overpayment on behalf of the company of £12.4m.

In addition, the Company invests in the following unit trusts, all of which are registered in England and Wales. The registered address of the unit trust manager, St. James's Place Unit Trust Group Limited, is St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire GL7 1FP.

The Company's holdings in unit trusts managed by St. James's Place Unit Trust Group Limited are:

	31 December 2021	31 December 2020
	£'Million	£'Million
St. James's Place Allshare Income Unit Trust	363.1	386.2
St. James's Place Alternative Assets Unit Trust	751.1	796.6
St. James's Place Asia Pacific Unit Trust	2,073.1	1,958.2
St. James's Place Balance InRetirement Unit Trust	416.8	85.3
St. James's Place Balanced Managed Unit Trust	6,798.0	6,426.3
St. James's Place Continental European Unit Trust	360.0	311.8
St. James's Place Corporate Bond Unit Trust	1,144.9	1,183.4
St. James's Place Diversified Assets (FAIF) Unit Trust	1,747.0	1,087.0
St. James's Place Diversified Bond Unit Trust	1,555.5	1,262.2
St. James's Place Emerging Markets Equity Unit Trust	1,850.8	1,240.1
St. James's Place Equity Income Unit Trust	972.3	840.7
St. James's Place Ethical Unit Trust	2,762.6	1,378.4
St. James's Place Gilts Unit Trust	178.9	244.4
St. James's Place Global Emerging Markets Unit Trust	694.5	673.2
St. James's Place Global Equity Income Unit Trusts	5,135.2	2,365.3
St. James's Place Global Equity Unit Trust	10,556.5	9,768.1
St. James's Place Global Growth Unit Trust*	4,509.4	2,016.4
St. James's Place Global Unit Trust	1,288.5	1,275.4
St. James's Place Greater European Progressive Unit Trust	1,072.2	929.5
St. James's Place Growth InRetirement Unit Trust	442.2	72.2
St. James's Place Global Smaller Companies Unit Trust	459.8	397.1
St. James's Place Index Linked Gilts Unit Trust	191.1	197.6
St. James's Place International Corporate Bond Unit Trust	2,219.9	1,720.6
St. James's Place International Equity Unit Trust	6,222.7	6,224.3
St. James's Place Investment Grade Corporate Bond Unit Trust	2,102.1	1,928.4
St. James's Place Japan Unit Trust	447.2	292.3
St. James's Place Managed Growth Unit Trust	6,864.6	6,358.7
St. James's Place Money Market Unit Trust	197.0	176.2
St. James's Place Multi Asset Unit Trust	4,900.8	4,530.0
St. James's Place North American Unit Trust	2,942.6	1,881.0
St. James's Place Prudence InRetirement Unit Trust	129.0	23.5
St. James's Place Strategic Income Unit Trust	3,762.5	3,928.2
St. James's Place Strategic Managed Unit Trust	6,286.8	5,959.9
St. James's Place UK & General Progressive Unit Trust	2,469.4	1,091.1
St. James's Place UK & International Income Unit Trust	1,051.3	1,033.6
St. James's Place UK Absolute Return Unit Trust	329.8	405.4
St. James's Place UK Growth Unit Trust**	-	131.8
St. James's Place UK Income Unit Trust	163.3	163.5
St. James's Place Worldwide Income Unit Trust	871.7	672.4
St. James's Place Worldwide Opportunities Unit Trust	7,726.3	5,312.6
	94,010.5	76,728.9

Notes to the Financial Statements (continued)

20. Related party balances (continued)

*The St. James's Place Global Growth Unit Trust has holdings in the Equity A Unit Trust, Equity B Unit Trust, Equity C Unit Trust and the International Equity Unit Trust.

**During 2021, as part of the IMA core operations, the Company's holdings in St. James's Place UK Equity Unit Trust underwent a merger with St. James's Place UK and General Progress Unit Trust, which was subsequently renamed the St. James's Place UK Unit Trust. Further fund mergers are expected during 2022.

During the year the total value of net transactions with related unit trusts was £6.2 billion (2020 - £5.6 billion), these transactions were on standard terms.

21. Ultimate parent undertaking and controlling party

The company regarded by the Directors as the immediate parent company is St. James's Place Wealth Management Group Limited, a company registered in England and Wales.

The company regarded by the Directors as the ultimate parent company is St. James's Place plc, a company registered in England and Wales. It is also the parent undertaking of the smallest and largest group of undertakings for which Group financial statements are drawn up and of which the Company is a member.

Copies of the consolidated financial statements of St. James's Place plc may be obtained from the Company Secretariat at St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP.

In the opinion of the Directors, St. James's Place plc is considered to be the ultimate controlling party.