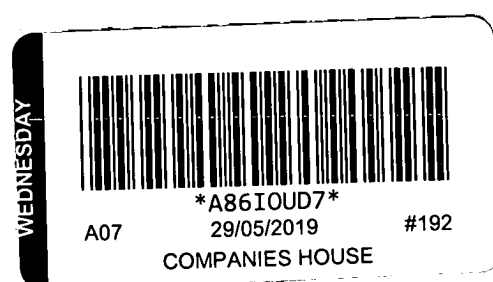


Registered number: 02661044

**ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **COMPANY INFORMATION**

#### **DIRECTORS**

A M Croft  
I S Gascoigne  
C G Gentle

#### **COMPANY SECRETARY**

St. James's Place Corporate Secretary Limited

#### **REGISTERED NUMBER**

02661044

#### **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

# **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

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## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

#### INTRODUCTION

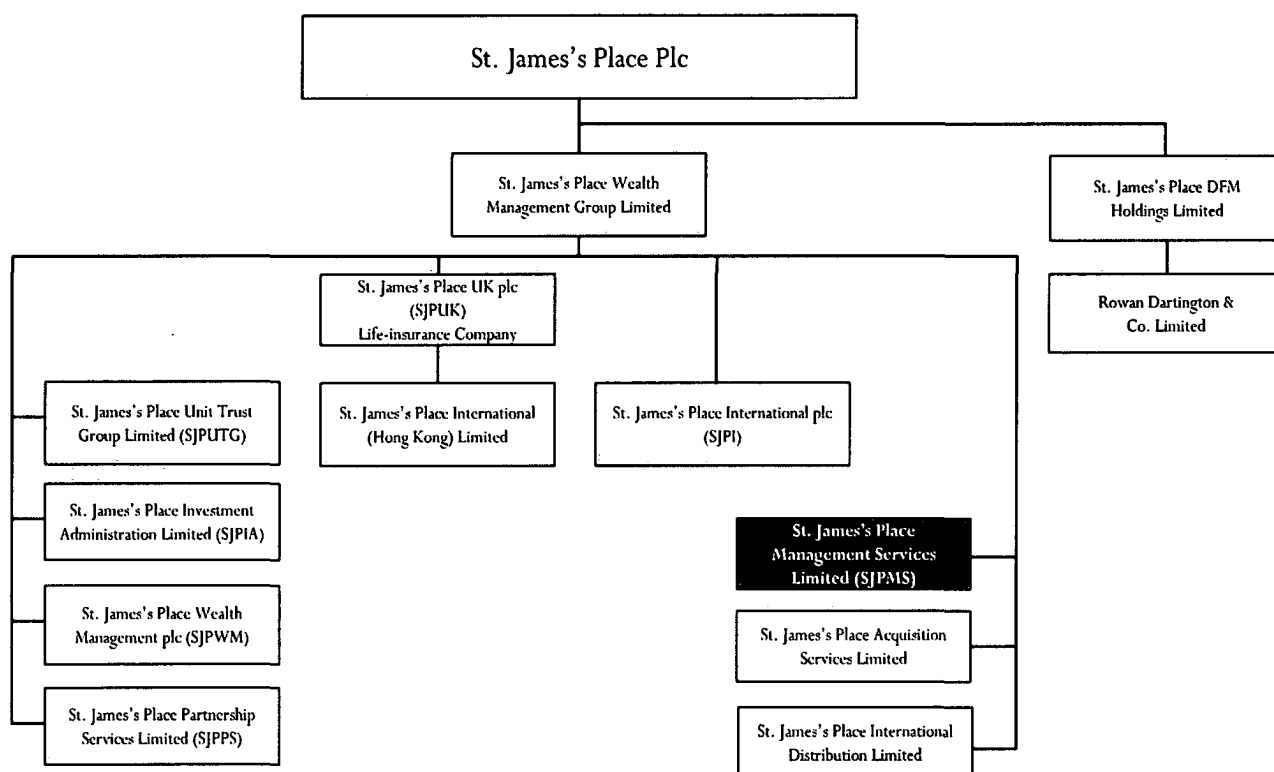
St. James's Place Management Services Limited ("the Company") is a wholly-owned subsidiary of St. James's Place Wealth Management Group Limited, which in turn is a wholly-owned subsidiary of St. James's Place plc, the ultimate parent company of the St. James's Place Group.

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

The Company operates in the United Kingdom, and via a branch in Ireland.

#### 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 St. James's Place Group's ("the Group" or "St. James's Place") 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 our clients.

Financial advice is complemented and supported by our 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 our independent committee of experts from the global population of fund managers.

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### INTRODUCTION (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 Individual Savings Accounts ("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 Annual Report and Accounts.

## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **BUSINESS REVIEW**

During the year the Company generated turnover of £394m (2017 - £369m) from the provision of services to other group companies.

The loss for the financial year amounted to £36.5m (2017 - loss £9.0m). At the end of the financial year, the Company had net liabilities of £122.1m (2017: £100.3m).

The result for the year was positively impacted by the recharge of back office infrastructure expenses related to prior years to other Group companies in connection with the development of the Bluedoor Platform, amounting to £10.5m (2017: £52.2m).

#### **FUTURE DEVELOPMENTS**

During the year, the Company continued working with the key outsource providers to develop and implement a new administration service agreement in order to facilitate continued growth and achieve future efficiency savings.

In addition to the above, the political environment, including Brexit, is an area of increasing uncertainty and therefore a principal risk to our business through investor sentiment and the wider economy. We believe that the direct impact on the Company's operations, and the wider Group, will be limited due to the Group's business model. In particular the Group has minimal exposure to market risk as a result of our matching strategy, and in addition, investments are globally diverse. More generally, across the Group we have considered and made appropriate arrangements where potential operational issues following a no-deal Brexit could occur, although the Group has a very minimal operational exposure.

The indirect impact on the economy, and therefore investor sentiment, cannot be determined with any precision because of the current uncertainties both around Brexit and the wider political environment. It is these indirect outcomes which could impact upon the Company and the Group. Stress and scenario testing has been performed which demonstrates that the Group is highly resilient to changes in the domestic economy.

We are focused on understanding the degree to which the various outcomes might impact the business. For instance, understanding how market uncertainty and volatility could impact client decisions and behaviours. This allows us to consider how they might be mitigated. We continually monitor the changing environment, to ensure our analysis and scenario testing remains current. However, we also consider worst case scenarios to facilitate planning for all eventualities. Although scenarios of political change, including Brexit, can drive changes in risk, the potential impacts on the Company would manifest through changes to the risks disclosed in the tables on the following pages.

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### PRINCIPAL RISKS AND UNCERTAINTIES

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

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

#### Non-Financial risks

Risk	Description	Management and Controls
Cyber Risk	Cyber risk, which could include loss of data, system control or system availability, continues to be one of the top risks facing individuals and organisations. A successful cyber attack could result in disruption or distress for employees as well as resulting in reputational damage and regulatory censure.	<p>The leading cause of information security incidents are individuals unknowingly or inadvertently enabling the attack, so awareness is the most effective defence. The Group maintains an active and on-going awareness programme on information security threats and how to prevent or respond to them for employees and Partners. This is supported by system maintenance and vulnerability testing, as well as an incident reporting system to ensure rapid response if an incident does occur.</p> <p>The Group also ensure our outsourcing partners have robust information security programmes in place and use secure means for transmitting data to and from these organisations.</p>
People and culture	People and the distinctive culture of the company play an important part in the success of both the Company and the Group. Poorly managed expansion, succession, culture and resourcing may lead to loss of valued individuals, increased risk of errors, and failure to deliver on the business plan.	This risk is mitigated through effective leadership, succession planning, the implementation of executive and management development initiatives and regular surveys and consultation groups. The latter enable the Company to monitor the sentiment of its staff and Partners and identify any potential adverse impacts upon, or trends within, our culture, and respond appropriately.

#### Financial risks

Risk	Description	Management and Controls
Liquidity & Credit risk	<p>The Company is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due.</p> <p>The failure of a counterparty (banks, money market funds, and other debtors) may reduce the value of assets held by the Company.</p>	<p>Generally, the Company's funds are invested in high credit rating and highly liquid cash and cash equivalent investments.</p> <p>However, in support of the business, some funds are used to provide loans to Partners. These are secured against income streams on a conservative multiple and with appropriate financial monitoring.</p>

#### FINANCIAL KEY PERFORMANCE INDICATORS

The Directors of St. James's Place plc manage the Group's operations on a group basis. The development, performance and position of St. James's Place plc, which includes the Company, is discussed in the Group's Annual Report and Accounts; copies of which can be obtained from the address shown in the ultimate controlling party note at the end of these financial statements.

For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business.

**ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**GOING CONCERN**

Going concern has been evaluated by the Directors of the Company. They concluded that, with the Group's support, it was reasonable to expect the Company to continue to provide management services to other Group companies for a period of not less than 12 months from the date of signing the financial statements.

The Company recorded a loss for the financial year and has net liabilities at the year-end, but another Group company, St. James's Place plc, has committed to providing financial support for a period of not less than 12 months from the date of signing the financial statements.

This report was approved by the Board of Directors on 26 February 2019 and signed on its behalf on the same date by:

A handwritten signature in black ink, appearing to be 'C G Gentle', written over a horizontal line.

**C G Gentle**  
Director



## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

#### **PRINCIPAL ACTIVITY**

The Company is the provider of management services to companies within the Group and the St. James's Place Partnership.

The Company operates in the United Kingdom, and via a branch in Ireland.

#### **RESULTS AND DIVIDENDS**

The loss for the financial year amounted to £36.5m (2017 - loss £9.0m).

The Directors do not recommend the payment of a final dividend (2017 - £NIL).

#### **DIRECTORS**

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

A M Croft  
I S Gascoigne  
C G Gentle (appointed 1 January 2018)  
D J Lamb (resigned 26 February 2019)

#### **EMPLOYEE INVOLVEMENT**

The employees of the SJP Group are employed by the Company. The cost is then recharged to the various Group companies. Information regarding the Group's employment policies is included in the St. James's Place plc Annual Report and Accounts.

#### **EQUALITY AND DIVERSITY**

The Company is committed to maintaining an appropriately skilled and diverse workforce, irrespective of age, colour, race, nationality, ethnicity, gender or disability. It is our policy to ensure that all job applicants and employees being considered for promotion are treated fairly and on merit. In particular, we strive to give full and fair consideration to applications from, and promotions of, disabled people, having regard to their particular aptitudes and abilities and, where appropriate, we will consider possible modifications to the working environment so that they can take up opportunities or enhance their role. Similarly, we will make every effort to achieve continuity of employment in the event of an employee becoming ill or disabled; for example, by arranging appropriate training. By adopting best-practice principles, we seek to ensure that our responsibilities are met as an equal-opportunity employer and that everyone can enjoy an environment that is free from discrimination of any sort. It is the Company's policy to encourage and support training, development and promotion of disabled employees, as it is with all employees.

#### **DIRECTORS' INDEMNITY AND INSURANCE**

St. James's Place plc ("SJP"), 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 or its subsidiaries. All members of the Board of SJP who act as Directors of subsidiary companies are each granted indemnities whilst acting in their capacity as Directors or officers to the extent permitted by law. 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 or its subsidiary companies. Copies of the indemnities are available to shareholders upon request. This is a qualifying third party indemnity provision and was in force during the financial year and at the date of approval of the financial statements.

## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **MATTERS COVERED IN THE STRATEGIC REPORT**

Future developments and financial risk management are both referred to in the Strategic Report set out on page 1 to 5 of the financial statements.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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, are deemed reappointed in accordance with section 487(2) of the Companies Act 2006.

This report was approved by the Board of Directors on 26 February 2019 and signed on its behalf on the same date by:

A handwritten signature in black ink, appearing to read 'C G Gentle', with a stylized flourish at the end.

**C G Gentle**  
Director

## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law, the 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

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

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

## Report on the audit of the financial statements

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### Opinion

In our opinion, St. James's Place Management Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

### 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and, in common with other companies, it is difficult to evaluate all of the potential implications on the company's business, clients, suppliers and the wider economy, in general terms.

---

### 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 the responsibilities described above and our work undertaken in the

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED (CONTINUED)

course of the audit, ISAs (UK) require 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 2018 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 set out on page 8, 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 cease operations, or have no realistic alternative but to do so.

##### *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.

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](http://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.

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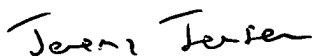
## Other required reporting

### **Companies Act 2006 exception reporting**

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

- we have not received 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.



Jeremy Jensen (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 February 2019

**ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

		<b>2018</b>	As restated
	<b>Note</b>	<b>£000</b>	<b>2017</b>
			<b>£000</b>
Turnover	2	<b>393,744</b>	368,628
Cost of sales		<b>(389,255)</b>	(319,094)
<b>GROSS PROFIT</b>		<b>4,489</b>	49,534
Administrative expenses		<b>(50,100)</b>	(60,947)
<b>OPERATING LOSS</b>	3	<b>(45,611)</b>	(11,413)
Interest receivable and similar income	7	<b>4,785</b>	103
Interest payable and similar expenses	8	<b>(191)</b>	(274)
<b>LOSS BEFORE TAXATION</b>		<b>(41,017)</b>	(11,584)
Income tax	9	<b>4,486</b>	2,564
<b>LOSS AND TOTAL COMPREHENSIVE EXPENSE</b>		<b>(36,531)</b>	(9,020)

All amounts relate to continuing operations.

See note 3 for details on the prior year restatement.

The notes on pages 14 to 34 form part of these financial statements.

**ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**  
**REGISTERED NUMBER: 02661044**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	891	1,787
Property, plant and equipment	11	26,468	24,085
Investments	12	1,341	-
		<u>28,700</u>	<u>25,872</u>
<b>CURRENT ASSETS</b>			
RECEIVABLES: Amounts falling due after more than one year	13	236,813	193,542
RECEIVABLES: Amounts falling due within one year	13	194,246	176,680
Other investments	14	13,696	40,036
Cash and cash equivalents	15	2,740	13,533
		<u>447,495</u>	<u>423,791</u>
PAYABLES: Amounts falling due within one year	16	(521,333)	(462,017)
<b>NET CURRENT LIABILITIES</b>		<u>(73,838)</u>	<u>(38,226)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(45,138)</u>	<u>(12,354)</u>
PAYABLES: Amounts falling due after more than one year	17	(76,993)	(87,962)
<b>NET LIABILITIES</b>		<u>(122,131)</u>	<u>(100,316)</u>
<b>EQUITY</b>			
Share capital	20	7,000	7,000
Other reserves		144,387	129,729
Retained earnings		(273,518)	(237,045)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<u>(122,131)</u>	<u>(100,316)</u>

The financial statements on pages 11 to 34 were approved by the Board of Directors on 26 February 2019 and signed on its behalf on the same date by:



**C G Gentle**  
Director

The notes and information on pages 14 to 34 form part of these financial statements.

**ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2018	7,000	129,729	(237,045)	(100,316)
Loss for the year	-	-	(36,531)	(36,531)
Transfer to/from profit and loss account	-	(58)	58	-
Equity settled share option expense	-	14,716	-	14,716
<b>At 31 December 2018</b>	<b>7,000</b>	<b>144,387</b>	<b>(273,518)</b>	<b>(122,131)</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2017	7,000	114,139	(228,006)	(106,867)
Loss for the year	-	-	(9,020)	(9,020)
Transfer to/from profit and loss account	-	19	(19)	-
Equity settled share option expense	-	15,571	-	15,571
<b>At 31 December 2017</b>	<b>7,000</b>	<b>129,729</b>	<b>(237,045)</b>	<b>(100,316)</b>

The notes on pages 14 to 34 form part of these financial statements.



## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1. ACCOUNTING POLICIES**

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

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

There were no critical accounting estimates or significant judgements made in applying the Company's accounting policies.

##### **1.2 Adoption of amended accounting standards**

As at 31 December 2018, the following amended standards, which the Company adopted as of 1 January 2018, have not had any material impact on the Company's financial statements. New accounting standards which were adopted as of 1 January 2018 are covered in the section below.

- IFRS 2 Amendment – Classification and Measurement of Share-based Payment Transactions
- Annual Improvements 2014-2016 Cycle

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. ACCOUNTING POLICIES (continued)

##### 1.3 Adoption of new accounting standards

The following new accounting standards were adopted as of 1 January 2018:

- IFRS 9 Financial Instruments (and associated amendments to various other standards)
- IFRS 15 Revenue from Contracts with Customers (including subsequent IFRS 15 clarification and associated amendments to various other standards)

The impact of these new accounting standards on the Company's financial statements are set out below.

##### IFRS 9

On 1 January 2018, the Company adopted IFRS 9 'Financial Instruments' as issued in July 2014. IFRS 9 incorporates new classification and measurement requirements for financial assets and liabilities, the introduction of an expected credit loss impairment model, new hedge accounting requirements and enhanced disclosures in the financial statements. For the Company, adopting IFRS 9 resulted in changes to accounting policies, reclassification certain financial assets and changes to the impairment model applied. In accordance with the transition provisions set out in IFRS 9, comparative figures have not been restated.

##### *Classification and measurement of financial instruments*

On the date of initial application of IFRS 9, being 1 January 2018, business loans to Partners of £37,235k, amounts owed by Group undertakings of £103,685k, other receivables of £24,432k (all aspects of receivables: amounts falling due within one year and receivables: amounts falling due after more than one year on the statement of financial position) and cash and cash equivalents of £13,533k were reclassified from the loans and receivables measurement category under IAS 39, to amortised cost under IFRS 9.

The business model for these assets is to hold and collect or sell, and the contractual cash flows consist solely of payments of principal and interest. There was no difference between the previous carrying amount under IAS 39 and the revised carrying amount under IFRS 9, no change to the underlying accounting treatment and the reclassification had no impact on the Company's equity.

No reclassifications were required for financial liabilities.

##### *Expected loss impairment model*

The implementation of IFRS 9 requires a three-stage model to be applied in calculating the expected credit loss provision. Unless purchased or originated credit impaired, newly originated assets are recognised within Stage 1: Performing. Assets remain in Stage 1 until there is a significant increase in credit risk, in which case they move to Stage 2: Underperforming. Assets move to Stage 3: Non-performing when there is objective evidence of impairment. Assets are accounted for differently depending on the stage they are classified in.

The Company has applied the three-stage impairment model to the Business loans to Partners portfolio. Business loans to Partners are interest bearing (linked to the Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of the Partner.

No provision is held against the other financial assets of the Company as these are either classified as fair value through profit or loss or are short-term trade receivables with insignificant risk of credit loss.

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. ACCOUNTING POLICIES (continued)

##### Definition of underperforming

In line with the presumption set out in IFRS 9, the Company considers that Business loans to Partners experience a significant increase in credit risk, and so move to Stage 2: Underperforming in the expected credit loss model, when they are more than 30 days past due.

##### Definition of non-performing

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

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

The IFRS 9 presumption that default occurs when a loan is more than 90 days past due has been rebutted. Because of the quality cash flows on which loans are secured together with the direct control exercised over them from source, Management have a practice of granting flexible ongoing terms to Partners that are investing in their own businesses. Past evidence supports the assertion that the vast majority of loans to Partners who remain in the Partnership are repaid in full, irrespective of the number of days past due the loan may be.

##### Write-off

Business loans to Partners are written off where there is no reasonable expectation of further recovery.

The provision held against Business loans to Partners under the incurred loss model as required by the previous accounting standard, IAS 39, was immaterial. The provision required by applying the expected loss model from 1 January 2018, as required by IFRS 9, is also immaterial. For further information on the provision balance, and gross Business loans to Partners, refer to Note 13 'Receivables'.

#### **IFRS 15**

The adoption of IFRS 15 had no impact on the Company, as the way that the Company's revenue was accounted for under the previous accounting standard, IAS 18, satisfies the requirements of IFRS 15 with no changes required to existing accounting policies. This conclusion was reached following a detailed assessment of revenue recognised by the Company in the context of the IFRS 15 five-step revenue recognition model.

## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.4 Financial reporting standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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, paragraph 73(e) of IAS 16 Property, Plant and Equipment and paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 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.

##### **1.5 Turnover**

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year to companies within the Group, exclusive of Value Added Tax (where recoverable) and trade discounts, recharged to those Group companies.

##### **1.6 Cost of sales**

Cost of Sales represents those expenses directly attributable to the goods and services supplied during the year to companies within the Group, exclusive of Value Added Tax (where applicable).

##### **1.7 Administrative expenses**

Administrative expenses comprises costs incurred in the normal course of business not directly associated with the recharged management services provided to companies within the Group.

##### **1.8 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. ACCOUNTING POLICIES (continued)

##### 1.9 Property, plant and equipment

Property, plant and equipment are recognised under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is de-recognised. Repairs and maintenance are charged to Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Fixtures and fittings	-	20% & 10% straight-line basis
Computer equipment	-	33% straight-line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the Statement of Comprehensive Income.

##### 1.10 Valuation of investments

Investments in unlisted Company shares are held at fair value. Gains and losses on re-measurement are recognised in the Statement of Comprehensive Income.

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. ACCOUNTING POLICIES (continued)

##### 1.11 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

###### **Financial assets**

The Company classifies its financial assets in the following categories: those held at fair value through profit or loss, or those held at amortised cost. The classification depends on whether the objectives of the Company's business model are met by either holding the instruments to collect contractual cash flows or selling the instruments, and whether the contractual terms of the instrument 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, instruments are classified as financial assets held at amortised cost. Otherwise, instruments are classified as financial assets held at fair value through profit and loss.

###### **At fair value through profit and loss**

Financial assets at fair value through profit or loss are financial assets held for trading. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

###### **At amortised cost**

Financial assets held at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial assets held at amortised cost are impaired using an expected credit loss model. The model splits financial assets into those which are performing, underperforming and non-performing based on changes in credit quality since initial recognition. At initial recognition financial assets are considered to be performing. They become underperforming where there has been a significant increase in credit risk since initial recognition, and non-performing when there is objective evidence of impairment. 12 months of expected credit losses are recognised within administrative expenses in the statement of comprehensive income and netted against the financial asset in the statement of financial position for all performing financial assets, with lifetime expected credit losses recognised for underperforming and non-performing financial assets.

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward looking information.

###### **Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

###### **At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.12 Other investments**

Investment in Collective Investment Schemes refers to holdings of high quality, highly liquid Money Market funds, containing assets which are cash and cash equivalents.

##### **1.13 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours, excluding money market fund investments, which are presented within Current asset investments in collective investment schemes.

##### **1.14 Foreign currency translation**

###### **Functional and presentation currency**

The Company's functional and presentational currency is British Pound Sterling (GBP).

###### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

##### **1.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

## **ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.16 Income Tax**

Tax is recognised in the Statement of Comprehensive Income. The current income tax credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom, where the Company operates and generates income.

##### **1.17 Deferred taxation**

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. Differences that arise from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. 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.

##### **1.18 Pensions**

The Company operates a defined contribution pension scheme for its employees and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

##### **1.19 Share-based payments**

The Company operates a number of share-based payment plans for its employees. The fair value of equity instruments granted is recognised as an expense spread over the vesting period of the instrument, with a corresponding increase in equity in the case of equity settled plans. The total amount to be expensed is determined by reference to the fair value of the awards at the grant date, measured using standard option pricing models.

At each Statement of Financial Position date, the Company revises its estimate of the number of equity instruments that are expected to vest and it recognises the impact of the revision of original estimates, if any, in the Statement of Comprehensive Income, such that the amount recognised for employee services are based on the number of shares that actually vest. The charge to the Statement of Comprehensive Income is not revised for any changes in market vesting conditions.

To the extent that the share price at the reporting date is greater than the exercise price on options granted under unapproved schemes after 19 May 2000, provision for any National Insurance contributions has been made based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.



## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 1. ACCOUNTING POLICIES (continued)

##### 1.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

##### 1.21 Operating leases

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the term of the relevant lease.

#### 2. TURNOVER

Analysis of turnover by country:

	2018 £000	2017 £000
United Kingdom	382,251	358,324
Rest of Europe	10,293	9,705
Rest of the world	1,200	600
	<u>393,744</u>	<u>368,629</u>

In the opinion of the Directors, the Company has only carried on one class of business and has supplied markets that do not differ substantially from each other.

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of tangible fixed assets	5,385	4,789
Amortisation of intangible assets	896	938
Exchange differences	44	15
Share-based payment expense	24,167	18,716
Defined contribution pension cost	9,757	8,434
<b>Operating lease payments</b>		
- Operating lease charges	16,897	14,588
- Operating lease income	(167)	(165)

Operating lease charge includes £15.7m (2017 - £13.0m) incurred by another Group company, St. James's Place Wealth Management Group Limited, and recharged to the Company.

The prior year restatement on the Statement of Comprehensive Income relates to a reclassification of £10.4m from administration costs to cost of sales. This related to platform expenses that were recharged in 2018. The restatement also includes a reclassification of share option expenses totalling £3.1m from cost of sales to administration expenses.

#### 4. AUDITORS' REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £000	2017 £000
Fees for the audit of the Company	88	85

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the Group accounts of the parent Company.

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 5. STAFF COSTS AND EMPLOYEES

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	99,407	98,609
Social security costs	11,836	12,067
Defined contribution pension costs	9,757	8,434
	<u>121,000</u>	<u>119,110</u>

Defined contribution personal pension plans are operated for employees. There were no prepaid or outstanding contributions outstanding at the year-end (2017 - NIL).

The prior year wages and social security costs have been re-presented due to an incorrect calculation. Wages have decreased by £302k and social security has reduced by £2,816k.

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Administration	<u>1,794</u>	<u>1,589</u>

#### 6. DIRECTORS' REMUNERATION

	2018 £000	2017 £000
Aggregate remuneration	119	100
Pension contributions	15	11
Amounts receivable under long term incentive schemes	-	112
	<u>134</u>	<u>223</u>

In 2018, certain Directors' costs were retained by the Company rather than recharged to other entities within the Group.

The aggregate emoluments of the highest paid Director in the year were £118,838 (2017 - £183,535), and pension contributions paid on their behalf were £15,129 (2017 - £10,894). The number of options the highest paid Director exercised over the shares in St. James's Place plc was Nil (2017 - 75,366), and the number of shares receivable by them in respect of qualifying service was Nil (2017 - 24,556).

The number of Directors to whom retirement benefits are accruing in company money purchase schemes is 1 (2017 - 4), including the highest paid Director.

The number of Directors who exercised options over the shares in St. James's Place plc during the year is 3 (2017 - 3). The number of Directors in respect of whose qualifying services shares were receivable under long-term incentive schemes is 3 (2017 - 4).

# ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Interest receivable from Group companies	3,638	-
Interest receivable on MMF holdings	1,147	103
	<u>4,785</u>	<u>103</u>

Interest receivable from Group companies has arisen due to a restructuring of intergroup loans.

### 8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £000	2017 £000
Bank interest payable	<u>191</u>	<u>274</u>

### 9. INCOME TAX

	2018 £000	2017 £000
<b>Current tax</b>		
UK corporation tax on loss for the year	(3,765)	(847)
Adjustments in respect of prior periods	265	(567)
Overseas tax	10	8
<b>Total current tax</b>	<u>(3,490)</u>	<u>(1,406)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(299)	(289)
Adjustment in respect of prior periods	(7)	750
Share options	(690)	(1,619)
<b>Total deferred tax</b>	<u>(996)</u>	<u>(1,158)</u>
<b>Taxation on loss</b>	<u>(4,486)</u>	<u>(2,564)</u>

# ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 9. INCOME TAX (continued)

#### Factors affecting the tax credit for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss before taxation	<u>(41,017)</u>	<u>(11,584)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(7,793)	(2,230)
Effects of:		
Expenses not deductible for tax purposes	2,498	706
Difference between capital allowances and depreciation	(1,235)	431
Adjustments to tax charge in respect of prior periods	257	183
Income not subject to tax	-	(8)
Adjustment in respect of employee share options	1,803	(1,353)
Other differences leading to an increase/(decrease) in the tax charge	10	(2)
Transfer pricing adjustments	<u>(26)</u>	<u>(291)</u>
Total tax credit for the year	<u>(4,486)</u>	<u>(2,564)</u>

#### Factors that may affect future tax charges

As previously announced, the standard rate of UK corporation tax will reduce to 17% with effect from 1 April 2020. This was substantively enacted in the Finance Act 2016.

The impact of the announced future corporation tax reduction effective from 1 April 2020 to 17% was fully reflected during the year ended 31 December 2016.

**ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. INTANGIBLE ASSETS**

	<b>Developments £000</b>
<b>Cost</b>	
At 1 January 2018	15,353
At 31 December 2018	<u>15,353</u>
<b>Amortisation</b>	
At 1 January 2018	13,566
Charge for the year	896
At 31 December 2018	<u>14,462</u>
<b>Net book value</b>	
At 31 December 2018	<u>891</u>
At 31 December 2017	<u>1,787</u>

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Fixtures and fittings £000</b>	<b>Computer equipment £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 January 2018	43,086	4,433	47,519
Additions	6,144	1,624	7,768
At 31 December 2018	<u>49,230</u>	<u>6,057</u>	<u>55,287</u>
<b>Depreciation</b>			
At 1 January 2018	21,273	2,161	23,434
Charge for the year on owned assets	3,914	1,471	5,385
At 31 December 2018	<u>25,187</u>	<u>3,632</u>	<u>28,819</u>
<b>Net book value</b>			
At 31 December 2018	<u>24,043</u>	<u>2,425</u>	<u>26,468</u>
At 31 December 2017	<u>21,813</u>	<u>2,272</u>	<u>24,085</u>

# ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 12. FIXED ASSET INVESTMENTS

	Unlisted investments £000
<b>Cost or valuation</b>	
Additions	1,341
At 31 December 2018	1,341
<b>Net book value</b>	
At 31 December 2018	1,341
At 31 December 2017	-

The above are EIS qualifying investments in entities unconnected to the Company.

### 13. RECEIVABLES

	2018 £000	2017 £000
<b>Amounts falling due after more than one year</b>		
Business loans to Partners	13,325	30,793
Prepayments and accrued income	211,900	155,125
Deferred taxation	11,588	7,624
	<u>236,813</u>	<u>193,542</u>
<b>Amounts falling due within one year</b>		
Business loans to Partners	4,920	6,442
Amounts owed by Group undertakings	101,134	103,685
Other receivables	34,622	24,432
Prepayments and accrued income	53,570	39,153
Deferred taxation	-	2,968
	<u>194,246</u>	<u>176,680</u>

# ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 13. RECEIVABLES (continued)

Amounts owed by Group undertakings are unsecured, interest-free and repayable on demand.

#### Business loans to Partners

Business loans to Partners are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of the Partner.

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

<u>Business loans to Partners - gross carrying amount</u>	<u>Active</u>		<u>Leavers</u>	<u>Total</u>
	<u>Stage 1 Performing</u>	<u>Stage 2 Under-performing</u>	<u>Stage 3 Non-performing</u>	
<b>Gross balance at 1 January 2018</b>	34,384,276	2,262,807	4,753,002	41,400,085
Business loans to Partners classification changes:				
- Transfer to underperforming	(1,867,332)	1,867,332	-	-
- Transfer to non-performing	(35,460)	(19,616)	55,076	-
- Transfer to performing	1,552,864	(1,552,864)	-	-
New Lending activity during the year	964,551	-	-	964,551
Repayments activity during the year	(20,010,788)	(226,274)	(981,421)	(21,218,483)
Write-offs	(519,211)	-	-	(519,211)
<b>Gross balance at 31 December 2018</b>	<b>14,468,899</b>	<b>2,331,386</b>	<b>3,826,655</b>	<b>20,626,941</b>

#### Business loans to Partners: Provision

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

The provision held against business loans to Partners under the incurred loss model as required by the previous accounting standard, IAS 39, was immaterial. The provision required by applying the expected loss model from 1 January 2018, as required by IFRS 9, is also immaterial. At 31 December 2018, the provision held against the total book was £2.4m (2017 - £1.9m). During the year none of the provision was utilised (2017 - £0.0m), whilst new provisions and adjustments to existing provisions increased the total by £0.5m (2017 - reduced by £0.9m).

### 14. INVESTMENTS

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Investment in Collective Investment Schemes	<b>13,696</b>	<b>40,036</b>

Investment in Collective Investment Schemes refers to holdings of high quality, highly liquid Money Market funds, containing assets which are cash and cash equivalents.



**ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**15. CASH AND CASH EQUIVALENTS**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>2,740</b>	13,533

**16. PAYABLES: Amounts falling due within one year**

	<b>2018</b>	As restated <b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank loans (see note 18)	<b>1,000</b>	1,000
Amounts owed to Group undertakings	<b>359,672</b>	298,287
Other taxation and social security	<b>10,618</b>	8,125
Other payables	<b>88,561</b>	86,843
Accruals and deferred income	<b>61,482</b>	67,762
	<b>521,333</b>	462,017

Included within Amounts owed to Group undertakings is £240.3m (2017 - £297.0m) of loans that are unsecured and repayable on demand. Such loans incur interest at an agreed rate above the Bank of England's base rate, as stated in the loan agreement. The large increase during the year is a result of a corporate review of the intra-Group funding arrangement.

The remainder of amounts owed to Group undertakings are unsecured, interest-free and repayable on demand. All other payables are considered current.

The prior year restatement comprises £12.9m reallocated from accruals to other creditors in respect of unapproved invoices.

**17. PAYABLES: Amounts falling due after more than one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Bank loans (see note 18)	<b>4,493</b>	5,462
Other payables	<b>72,500</b>	82,500
	<b>76,993</b>	87,962

Included within other payables is a contract payment of £72.5m (2017 - £82.5m), which is non-interest bearing and repayable on a straight-line basis over the life of a 12-year service agreement from 2017. The payable is held at amortised cost using the effective interest method.

# ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 18. BANK LOANS

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
<b>Amounts falling due within one year</b>		
Bank loans	1,000	1,000
<b>Amounts falling due 2-5 years</b>		
Bank loans	4,493	4,400
<b>Amounts falling due after more than 5 years</b>		
Bank loans	-	1,062
	<u>5,493</u>	<u>6,462</u>

### 19. DEFERRED TAXATION

	2018 £000	2017 £000
At beginning of year	10,592	9,434
Charged to the Statement of Comprehensive Income	996	1,158
<b>At end of year</b>	<u>11,588</u>	<u>10,592</u>

The deferred tax asset balance comprises:

	2018 £000	2017 £000
Depreciation in excess of capital allowances	3,970	3,664
Share options	7,618	6,928
	<u>11,588</u>	<u>10,592</u>

### 20. SHARE CAPITAL

	2018 £000	2017 £000
<b>Allotted, called up and fully paid</b>		
7,000,001 (2017 - 7,000,001) Ordinary shares of £1.00 each	7,000	7,000
	<u>7,000</u>	<u>7,000</u>

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 21. SHARE-BASED PAYMENTS

During the year the Company operated a number of different equity-settled share-based payment arrangements, which are aggregated as follows:

- SAYE plan – this is a standard HMRC approved scheme that is available to all employees where individuals can contribute up to £250 per month over three years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.
- Share incentive plan (SIP) – this is an HMRC approved scheme which is available to all employees where individuals may invest up to an annual limit of £1,500 of pre-tax salary in SJP shares, to which the Company will add a further 10%. If the shares are held for 5 years then they may be sold free of income tax or CGT.
- Executive deferred bonus schemes – under these plans, the deferred element of the annual bonus is used to purchase shares at market value in SJP plc. The shares are held by the Company until vesting after three years and, in addition to the performance targets, which apply prior to any entitlement being granted; further performance conditions may also apply on vesting.
- Executive performance share plan – the Remuneration Committee of SJP plc may make awards of performance shares to the executive Directors of SJP plc and other senior managers. Two-thirds of shares awarded to Directors are subject to an earnings growth condition of SJP plc and one-third of shares awarded to Directors are subject to a comparative total shareholder return condition, both measured over a three year period. Awards made to senior managers are largely only subject to the earnings growth condition of SJP plc.

Options exercised in 2018 resulted in outstanding shares having a weighted average exercise price of:

- SAYE plan - 816 pence

Share options outstanding under the various share option schemes at 31 December 2018 amount to 6.4m shares (2017 - 5.9m). Of these, 5.1m (2017 - 4.8m) are under option to executives and senior management and 1.3m (2017 - 1.1m) are under option through the SAYE and SIP schemes. These are exercisable on a range of future dates.

The SAYE plan options outstanding at 31 December 2018 had exercise prices of 738 pence (438 options), 724 pence (65,567 options), 687 pence (380,279 options), 844 pence (279,337 options), 911 pence (295,725 options) and 906 pence (214,422 options) with a weighted average remaining contractual life of 1.5 years.

#### 22. OPERATING LEASE COMMITMENTS

At 31 December, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than one year	898	1,663
Later than one year and not later than five years	610	2,082
	<u>1,508</u>	<u>3,745</u>

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 23. RELATED PARTY BALANCES

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

Transactions with key management personnel are exempt from disclosure.

##### Other related parties

Within a related Group company, commission and advice fees were paid, under normal commercial terms, to St. James's Place Partners who were related parties by virtue of being connected persons with key management personnel.

In addition, outstanding at the year-end were business loans to Partners of £Nil (2017 - £728,043), due from St. James's Place Partners who were related parties by virtue of being connected persons with key management personnel. St. James's Place Partnership loans are interest-bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that Partner.

There were no transactions with companies within the Group for which disclosure is required.

At 31 December, the following amounts were outstanding:

	2018 £000	2017 £000
<b>Intra-Group receivables, net of provision</b>		
BFS Financial Services Limited	2	-
Lansdown Place Wealth Management Limited	356	345
Linden House Financial Services Limited	1	-
Rowan Dartington Holdings Limited	-	28
Rowan Dartington & Co. Limited	1,263	548
SJP AESOP Trustees	23	23
SJPC Employee Share Trust	24,260	32,024
St. James's Place Acquisition Services Limited	715	46
St. James's Place Client Solutions Limited	163	152
St. James's Place DFM Holdings Limited	62	53
St. James's Place International (Hong Kong) Limited	334	84
St. James's Place International plc	-	424
St. James's Place Investment Administration Limited	4,275	741
St. James's Place UK plc	2,145	2,412
St. James's Place Unit Trust Group Limited	2,775	1,114
St. James's Place Wealth Management (PCIS) Limited	-	5
St. James's Place Wealth Management International Private Limited	1,207	209
St. James's Place Wealth Management plc	63,553	65,477
	<b>101,134</b>	<b>103,685</b>

## ST. JAMES'S PLACE MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 23. RELATED PARTY BALANCES (continued)

	2018 £000	2017 £000
<b>Intra-Group payables</b>		
MS Estates & Financial Services Limited	27	-
Lansdown Place Wealth Management Limited	125	-
St. James's Place (Hong Kong) Limited	-	311
St. James's Place (Singapore) Private Limited	-	1
St. James's Place International Assurance Group Limited	19	16
St. James's Place International plc	436	-
St. James's Place Partnership Services Limited	356,501	296,974
St. James's Place (PCP) Limited	626	-
Technical Connection Limited	1,938	985
	<u>359,672</u>	<u>298,287</u>

#### 24. 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 Secretary 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.