ST. JAMES'S PLACE PLC

27 St. James's Place, London SW1A 1NR
Telephone 020 7493 8111   Facsimile 020 7493 2382

PRESS RELEASE

29 July 2008

HALF YEARLY RESULTS
FOR THE SIX MONTHS
TO 30 JUNE 2008

St. James's Place plc ("SJP"), the wealth management group, today announces its new business and financial results for the half year ended 30 June 2008.

The text of the announcement is attached:

Enquiries:

Mike Wilson, Chairman	Tel: 020 7514 1985
Andrew Croft, Group Finance Director	Tel: 020 7514 1985
Brunswick	Tel: 020 7404 5959
Anita Scott	
Anna Jones	

ST. JAMES'S PLACE WEALTH MANAGEMENT

ANNOUNCES 2008 HALF YEARLY RESULTS

RESILIENT RESULTS WITH RECORD SECOND QUARTER NEW BUSINESS

Highlights of the half yearly results to 30 June 2008:

New business (on an APE basis):

- Total new business of £220.7 million up 3%
- Record second quarter new business at £122.0 million up 5% and our highest ever quarter
- Pension business of £97.3 million up 15%

Profit – EEV basis**:**

- Group operating profit at £114.2 million (2007: £120.7 million)
- New business profits of £65.3 million (2007: £71.5 million)
- Net asset value per share 241.1 pence (2007: 239.6 pence)

– IFRS basis**:**

- Profit before shareholder tax of £32.8 million (2007: £19.9 million)
- Net asset value per share 97.1 pence (2007: 83.0 pence)

Interim Dividend:

- Interim dividend increased to 1.84 pence per share up 5%

Funds Under Management:

- Total single investments of £1.7 billion (2007: £1.7 billion)
- Retention of funds under management remains strong
- Funds under management of £17.2 billion (2007: £17.3 billion)

St. James's Place Partnership at 1,291 up 3% since the start of the year

Mike Wilson, Chairman, commented:

"Despite the challenging market conditions we have shown our resilience with continued growth in new business, strong retention of funds under management and an increase in the size of the Partnership.

"We continue to be convinced of our adviser-based approach to wealth management. There is a growing demand for advice and we continue to believe that the strength, quality and growth of our own dedicated team of advisors give us a major competitive advantage.

"If current market conditions continue, we anticipate new business growth in the second half of the year to be broadly similar to the first half.

"We remain very positive about the prospects for continued growth in our business over the longer term and our longer term growth target for new business remains at 15 – 20% per annum."

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ST. JAMES'S PLACE WEALTH MANAGEMENT
NEW BUSINESS FIGURES
FOR THE SIX MONTHS TO 30 JUNE 2008
LONG TERM SAVINGS

	Unaudited 3 Months to 30 June 2008			Unaudited 6 Months to 30 June 2008		
NEW PREMIUMS	**2008 £'m**	**2007 £'m**	**Change %**	**2008 £'m**	**2007 £'m**	**Change %**
New Regular Premiums						
Pensions	26.9	19.7	37%	45.2	36.7	23%
Protection	4.9	5.0	(2%)	9.4	9.8	(4%)
	31.8	**24.7**	**29%**	**54.6**	**46.5**	**17%**
New Single Premiums						
Investment	382.4	430.4	(11%)	731.6	781.2	(6%)
Pensions	269.4	247.5	9%	521.2	479.8	9%
	651.8	**677.9**	**(4%)**	**1,252.8**	**1,261.0**	**(1%)**
Unit Trust Sales (including PEPs and ISAs)	**250.1**	**231.3**	**8%**	**408.3**	**408.5**	**0%**

	Unaudited 3 Months to 30 June 2008			Unaudited 6 Months to 30 June 2008		
NEW BUSINESS (RP + 1/10th SP)	**2008 £'m**	**2007 £'m**	**Change %**	**2008 £'m**	**2007 £'m**	**Change %**
Investment	63.3	66.2	(4%)	114.0	119.0	(4%)
Pensions	53.8	44.5	21%	97.3	84.7	15%
Protection	4.9	5.0	(2%)	9.4	9.8	(4%)
Total	**122.0**	**115.7**	**5%**	**220.7**	**213.5**	**3%**

ST. JAMES'S PLACE WEALTH MANAGEMENT
NEW BUSINESS FIGURES
FOR THE SIX MONTHS TO 30 JUNE 2008

Notes

1. New business from long term savings is calculated in accordance with the standard industry measure of adding together new regular premiums and one-tenth of single premiums and unit trust sales ("APE").

2. Sales of manufactured business on an APE basis for the six months were 84% of the total reported (2007: 88%).

   Sales of non-manufactured pensions including stakeholder by St. James's Place Partnership have been included in the reported figures under Pensions. These amount to £16.4 million regular premiums (2007: £9.8 million) and £14.5 million single premiums (2007: £22.0 million) for the six months to 30 June 2008. This equates to £17.9 million new business premiums (2007: £12.0 million).

   Sales of annuities by St. James's Place Partnership have been included in the reported figures under Pensions. These amount to £40.4 million single premiums for the six months to 30 June 2008 (2007: £36.9 million) and equate to £4.0 million new business premiums (2007: £3.7 million).

   Sales of protection business by St. James's Place Partnership through a panel of providers have been included in the reported figures under New Regular Premiums Protection. These amount to £5.7 million of new regular premiums (2007: £5.7 million) for the six months to 30 June 2008. This equates to £5.7 million new business premiums (2007: £5.7 million).

   Sales of non-manufactured single premium investment business amounting to £69.7 million have been included in the reported figures under Investments for the six months to 30 June 2008 (2007: £39.0 million). This equates to £7.0 million new business premiums (2007: £3.9 million).

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

I am very pleased to report that our business has shown strong resilience in the first half of 2008.

We have seen volatile world stock markets and deteriorating economic indicators which have led to the most challenging conditions for a wealth management group for some time.

New business (measured on APE basis, the standard industry measure of annual premiums plus one tenth of single premiums) has continued to grow and the second quarter was our best ever quarter. Retention of funds under management remains strong and we have continued to invest in the business through growing the Partnership, the Academy and enhancing our client service and offering.

New business

New business for the six months on the annual premium equivalent basis was up 3% at £220.7 million, with growth in new business in the second quarter of the year of 5%.

Pensions business was up 15% for the year to date and 21% for the second quarter with growth seen in both regular and single premiums.

Investment business for the six months and the quarter was some 4% lower than last year, whilst total single premiums for the six months were £1.7 billion, on a par with last year.

The proportion of business represented by our own manufactured products reduced from 88% of total business in 2007 to 84%, although remaining ahead of our internal target of 80%.

Financial performance

As usual the financial results have been prepared on both an IFRS (International Financial Reporting Standards) basis and on EEV (European Embedded Value) basis. The Financial Commentary also provides additional disclosure on the cash profit of the Group.

The Board continue to believe that the EEV basis provides the most meaningful measure of the Group's performance.

On the IFRS basis the profit before shareholder tax, was £32.8 million compared with £19.9 million for the prior year.

On the EEV basis the pre-tax operating profit for the six months was £114.2 million, compared with £120.7 million for the prior year. The prior year profit was impacted by a positive one off £8.9 million, so a more appropriate like for like comparative is £111.8 million.

Whilst our new business performance was pleasing, the current economic conditions, and specifically the stock market performance, does have a significant impact on our EEV results. When the stock markets perform well, we benefit from a positive investment variance as was the case in the period 2004 – 07 and conversely, when stock markets perform badly, we have a negative investment variance.

The investment variance reflects the impact on our expected future cash flow of the actual level of the stock markets at the end of the period, compared with the long term assumption. For the six months there was a negative variance of £175.7 million which reflects the significant falls seen in world stock markets during the first six months of 2008. In the corresponding period last year there was a positive variance of £24.3 million.

After taking account of these investment variances the total pre-tax EEV result for the period was a loss of £62.0 million compared with a profit of £133.6 million for 2007.

Dividend

Over the last four years we have delivered consecutive years of strong growth in new business, profits and cash. This has translated into correspondingly strong dividend growth, including a special dividend in 2006 to distribute surplus cash that arose in that year.

In the first half of 2008 we have shown our resilience and the Board has resolved to raise the interim dividend by 5% to 1.84 pence per share (2007: 1.75 pence per share). Once again shareholders will be offered the alternative of a scrip dividend.

The level of growth in the final dividend will depend upon how the economic environment and stock markets progress throughout the remainder of the year.

The dividend will be paid on 17 September 2008 to shareholders on the register at the close of business on 8 August 2008.

Capital

Additional disclosure on the capital position of the Group has been provided in the Financial Commentary. This disclosure shows the strong solvency position of our regulated companies and that our balance sheet assets are prudently managed.

The St. James's Place Partnership

The size of the Partnership grew by a net 40 to 1,291, an increase of 3.2%. This result keeps us on track to achieve our third consecutive year of growth in the size of the Partnership.

We remain committed to recruiting only the highest quality financial advisers into the Partnership.

The progress on our 'Academy' initiative remains encouraging and the Partnership numbers do not yet reflect any of the individuals in the Academy.

Investment management

The first half of the year has seen significant volatility in global equity markets with all major indices down in Sterling terms year to date. Index values (excluding dividend income) have fallen by more than 10% in the last six months, with the exception of Japan where market falls have been supported by a strengthening of the Yen relative to Sterling and the US Dollar.

During difficult markets such as these, we feel it is important to offer clients the opportunity to diversify fully their investments across the risk spectrum. In April 2008, we launched the High Octane funds, managed by Oldfield Partners and Thornburg Investment Management, and these funds have been very well received by the adventurous investor. At the other end of the risk scale, we have launched the SJP Cash Unit Trust, managed by State Street Global Advisors. In addition we changed the investment manager for our Corporate Bond funds to Invesco Perpetual (Paul Read and Paul Causer) as well as widening the investment mandate. Later in the year we intend to launch an Alternative Assets fund to diversify further the systemic risk of holding equities, bonds and property.

Funds under management at 30th June were £17.2 billion (2007: £17.3 billion) with new investment business and continued strong retention off setting global weakness in markets.

External Recognition

In April 2008 we were delighted to be informed that St. James's Place had won the Investors Chronicle / Financial Times Wealth Manager of the Year Award.

Shareholders will recall that in October 2007 we were also awarded the inaugural Daily Telegraph Wealth Manager of the Year for 2007.

Both awards are a continued testament to the Partnership, the quality of their advice and their relationship with their clients.

Partners and staff

Despite the challenges faced in the first half of 2008, the Partnership, our employees and the staff in our administration centres have taken these challenges in their stride. On behalf of the Board and shareholders I would like to thank everyone connected with St. James's Place for their contribution to the first half of 2008.

Outlook

Despite the challenging market conditions we have shown our resilience with continued growth in new business, strong retention of funds under management and an increase in the size of the Partnership.

We continue to be convinced of our adviser-based approach to wealth management. There is a growing demand for advice and we continue to believe that the strength, quality and growth of our own dedicated team of advisors give us a major competitive advantage.

If current market conditions continue, we anticipate new business growth in the second half of the year to be a broadly similar level to the first half.

We remain very positive about the prospects for continued growth in our business over the longer term and our longer term growth target for new business remains at 15 – 20% per annum.

Mike Wilson
28 July 2008

INTERIM MANAGEMENT REPORT

FINANCIAL COMMENTARY

The Financial Commentary is as usual presented in two sections: a section providing a commentary on the results presented on both an IFRS and EEV basis, and a second section covering other matters of interest to shareholders and investors.

SECTION 1: COMMENTARY ON THE RESULTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The IFRS result is shown on pages 26 to 37. The table below shows the pre-tax profit of the Group on this basis.

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Life business	32.1	15.3	84.4
Unit trust business	8.2	8.6	15.9
Other	(7.5)	(4.0)	(4.2)
Profit before shareholder tax	32.8	19.9	96.1
Policyholder tax	(85.0)	45.9	7.1
Total pre-tax (loss) / profit	(52.2)	65.8	103.2
Profit after tax	22.2	28.3	78.1

The IFRS result requires the pre-tax profit of the life business to be 'grossed up' for certain tax in the unit linked funds, with the corresponding amount then being deducted within the tax charge. This 'grossing up' does not reflect the shareholder return from the life business and consequently the results table above and the accompanying narrative have been presented after eliminating the 'gross up'.

Life business

At year end 2007 we adopted an alternative methodology for the presentation of policyholder and shareholder tax. The adoption of the same presentation for the six months ended 30 June 2007 would have increased the life operating profit for that period to £24.8 million, compared with £32.1 million in the current year. The increase in profits in 2008 reflects the growth in business over the last few years and the unwind in the IFRS presentation of the cash strain arising from changes in business mix and economic conditions.

Unit Trust business

The pre-tax profit from the unit trust business for the six months was £8.2 million, marginally lower than the prior period, as a result of declining margins following the downturn in market conditions.

Other

Other operations contributed a loss for the period of £7.5 million, compared with a loss of £4.0 million for 2007. Included within the current year loss is a £9.0 million cost of expensing share options (2007: £5.9 million).

The increase in the share option cost was highlighted in my Financial Commentary in the full year Report and Accounts. The expected cost for the full year is in the region of £17.0 million (2007: £12.5 million).

As can be seen from the table above, the total pre-tax profit before shareholder tax for the six months is £32.8 million compared with £19.9 million for the prior year. The post tax profit attributable to shareholders of £22.2 million is lower than the £28.3 million for the first six months of 2007. However, shareholders may recall that the 2007 profit included the benefit of £5.8 million from the announced reduction in corporation tax from 30% to 28%. Excluding this one-off benefit the post tax results in the two years were of a similar level.

The total net assets were £465.2 million (30 June 2007: £394.0 million) resulting in a net asset value per share of 97.1 pence (30 June 2007: 83.0 pence).

EUROPEAN EMBEDDED VALUE BASIS

The EEV result is shown on pages 19 to 25. The table below summarises the pre-tax profit of the combined business:

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Life business	91.8	96.7	189.9
Unit trust business	29.9	28.0	59.0
Other	(7.5)	(4.0)	(4.2)
Operating profit	114.2	120.7	244.7
Investment return variances	(175.7)	24.3	(14.5)
Economic assumption changes	(0.5)	(11.4)	0.2
Total pre-tax (loss) / profit	(62.0)	133.6	230.4
Post tax (loss) / profit	(49.2)	121.0	188.4

The operating profit for the period of £114.2 million was lower than the corresponding period of 2007. However, shareholders will recall that the prior year figure included £8.9 million from a one off benefit in relation to obtaining relief for prior year excess unrelieved foreign withholding tax.

Removing the effect of this one off exceptional profit, the like for like comparative figure would be £111.8 million.

Life Business

Operating profit for the six months was £91.8 million compared with £96.7 million for the prior period. Removing the effect of the one off profit noted above, the prior year like for like comparative would be £87.8 million.

A full analysis of the result is shown on page 23.

The new business profit for the six months was £46.4 million, down from the £53.3 million for 2007.

The fall in the margin reflects the change in business mix and higher establishment expenses in the current year. Further information on the new business margin and establishment expenses is provided in section 2 of this commentary.

There was a small positive experience variance for the period of £1.0 million, whilst the investment income at £4.0 million was marginally higher than the prior year.

Unit Trust Business

The operating profit has increased from £28.0 million to £29.9 million and a full analysis of the result is shown on page 23.

The new business profit increased from £18.2 million to £18.9 million, reflecting a marginally lower level of expenses in this business unit.

Other

The loss from other operations has previously been commented on in the IFRS section.

Investment Return Variances

There have been heavy falls in the world stock markets in the first six months of the year – for example the FTSE 100 is down 12.9% over the period.

As a consequence of these large falls, the actual investment return for the period was more than 12% below the assumed return. This has resulted in a negative investment variance of £175.7 million compared with a positive variance of £24.3 million in 2007.

When considering the investment variance I encourage shareholders to remember that it reflects the impact of the level of the stock markets at the end of the period on the expected future cash flows. The negative investment variance is the result of the large falls seen in the world stock markets during the six months.

Looking instead at the variance over the last five years, the actual increase in our funds has exceeded the assumption by 14%, or 2.5% per annum.

Economic Assumption Change

The economic assumptions used for the projection of cash flows, together with the discount rate used, are based on the yield on 10 year gilts. The movement in the yield over the six months has resulted in a small negative of £0.5 million. As there was a large movement in the gilt yield in the first half of last year, the comparative figure was a much higher negative of £11.4 million.

Taking account of the significant investment variance, the total result for the period was a pre-tax loss of £62.0 million, compared with a profit for 2007 of £133.6 million.

The net assets on an EEV basis were £1,154.6 million (30 June 2007: £1,137.2 million) resulting in a net asset value per share of 241.1 pence (30 June 2007: 239.6 pence). Essentially the increase in the net asset value from the operations of the business has been offset by the negative investment variance.

SECTION 2: OTHER MATTERS

Noted below are a number of issues about the Group that are of interest to shareholders.

(i) New business margin

The insurance sector has historically disclosed new business in terms of Annual Premium Equivalent (APE). Most commentators would agree that APE no longer has much correlation with the underlying profitability of the new business and consequently the industry is moving to provide additional disclosure on the present value of new business premiums (PVNBP).

APE is calculated as the sum of regular premiums plus 1/10th single premiums. PVNBPs are calculated as single premiums plus the present value of expected premiums from regular premium business, allowing for lapses and other EEV assumptions.

The PVNBP calculation only includes our manufactured business, we do not apply the principles to the non-manufactured business. Noted in the table below is the new business margin calculated both as a % of APE and PVNBP.

Life business	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
New business profit (£' m)	46.4	53.3	114.5
APE (£'m)	179.9	172.7	359.1
New business margin (%)	25.8	30.9	31.9
PVNBP (£'m)	1,245.1	1,272.9	2,661.7
Margin (%)	3.7	4.2	4.3

Unit trust business	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
New business profit (£' m)	18.9	18.2	36.4
APE (£'m)	40.8	40.8	69.5
New business margin (%)	46.3	44.6	52.4
PVNBP (£'m)	408.3	408.5	694.6
Margin (%)	4.6	4.4	5.2

Total business	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
New business profit (£' m)	65.3	71.5	150.9
APE (£'m)	220.7	213.5	428.6
New business margin (%)	29.6	33.5	35.2
PVNBP (£'m)	1,653.4	1,681.4	3,356.3
Margin (%)	3.9	4.3	4.5

After four consecutive years of expansion, the margin has reduced during the first six months of the year.

This decline in the margin is the result of the change in business mix and the higher establishment expenses for the current period.

(ii) Expenses

This section provides a reminder to shareholders of categories and nature of expenditure incurred.

Shareholders will recall that "commission, investment expenses and third party administration costs" are met from corresponding policy margins. Any variation in these costs flowing from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Company.

The "other new business related costs", such as sales force incentivisation, vary with the level of sales – determined on our internal measure. As production rises or falls these costs will move in the corresponding direction.

"Establishment costs" are the running costs of the Group's infrastructure.

The "contribution from third party product sales" reflects the net income received from other wealth management services of £2.6 million (2007: £3.2 million), sales of stakeholder products of £0.4 million (2007: £0.4 million) and sales through the Protection Panel of £3.4 million (2007: £3.8 million).

The table below provides a breakdown of the expenditure for the combined financial services activities.

Table of Expenditure

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Paid from policy margins			
Commission	90.2	92.6	191.8
Investment expenses	30.7	32.8	68.4
Third party administration	13.4	12.2	24.7
	134.3	137.6	284.9
Management expenses			
Other related new business costs	22.0	20.3	44.4
Establishment costs	48.4	44.4	91.9
Contribution from third party product sales	(6.4)	(7.4)	(14.4)
	64.0	57.3	121.9
	198.3	194.9	406.8

The establishment expenses have expanded by 9% in the first six months and we currently forecast that the full year growth will be lower, at around 5 – 6%.

The increase reflects not only the expected inflationary rise, but also additional spend in the current year on Partner recruitment, the Academy and enhancements to our client service and offering.

(iii) Cash flow

Noted in the tables below is the now familiar disclosure on the underlying cash flow of the business, having first adjusted the post tax IFRS profits for the 'non cash' items.

The table below sets out these adjustments:

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Post tax IFRS result	22.2	28.3	78.1
Adjustments			
Movement in deferred acquisitions cost	(38.7)	(43.8)	(91.0)
Movement in deferred income	17.1	27.0	55.9
Amortisation of purchased VIF	1.7	1.6	3.3
Share option expense	9.0	5.9	12.5
Movement in deferred tax asset	(4.1)	(10.4)	(41.4)
Movement in deferred tax liability*	7.6	3.0	12.8
Other	(2.6)	1.5	2.9
Adjusted post tax cash flow	12.2	13.1	33.1

* excluding amounts in respect of the unit linked funds

Taking account of these non-cash adjustments the Group generated positive cash flow of £12.2 million during the first six months (2007: £13.1 million). The table and commentary below provide an indicative unaudited analysis of the sources of this cash flow.

6 Months ended 30 June 2008	Note	Arising from Business In-force at 1 January 2008	Arising from new business in period	Total
		£' Million	£' Million	£' Million
Net annual management fee	1	63.1	3.3	66.4
Unwind of surrender penalties	2	(26.2)	(1.1)	(27.3)
Loss arising from new business	3	-	(6.5)	(6.5)
Establishment expenses	4	(3.6)	(32.1)	(35.7)
Investment income	5	4.9	-	4.9
Miscellaneous	6	10.4	-	10.4
Post tax cash flow		48.6	(36.4)	12.2

6 Months ended 30 June 2007	Note	Arising from Business In-force at 1 January 2007	Arising from new business in period	Total
		£' Million	£' Million	£' Million
Net annual management fee	1	56.7	3.6	60.3
Unwind of surrender penalties	2	(20.8)	(1.0)	(21.8)
Loss arising from new business	3	-	(4.7)	(4.7)
Establishment expenses	4	(3.3)	(29.2)	(32.5)
Investment income	5	4.5	-	4.5
Miscellaneous	6	7.3	-	7.3
Post tax cash flow		44.4	(31.3)	13.1

Year Ended 31 December 2007	Note	Arising from Business In-force at 1 January 2007	Arising from new business in year	Total
		£' Million	£' Million	£' Million
Net annual management fee	1	109.3	13.9	123.2
Unwind of surrender penalties	2	(40.2)	(4.4)	(44.6)
Loss arising from new business	3	-	(7.7)	(7.7)
Establishment expenses	4	(6.7)	(60.6)	(67.3)
Investment income	5	10.5		10.5
Miscellaneous	6	11.8		11.8
Underlying cash flow		84.7	(58.8)	25.9
EUFT	7	7.2	-	7.2
Post tax cash flow		91.9	(58.8)	33.1

The underlying cash flow of the Group for the first six months of the year was marginally lower at £12.2 million (2007: £13.1 million).

As shareholders would expect, the net annual management fee and the unwind of the surrender penalties for the period have been impacted by the lower level of the world stock markets. We have estimated that had the markets been at a similar level to the first six months of 2007, then the cash flow arising in the current year would have been some £3.0 million higher.

In addition the current market conditions have resulted in an increase in actuarial reserves of more than £2.0 million.

The negative cash flow arising from new business has increased during the first six months of the year to £6.5 million (2007: £4.7 million). This reflects the greater level of pension business for which a proportion has an initial cash strain. It should be noted however, that there will be no future unwind of surrender penalties on this proportion of the business.

From the above tables it can be seen that in the first half of the year there was a £48.6 million (2007: £44.4 million) positive cash flow from the in-force business at the start of the year.

The cash outflow arising from the new business acquired in the first half of the year was £36.4 million (2007: £31.3 million). This outflow is in effect an investment made today for future positive cash flow arising from the new business acquired. The post tax profit from these cash flows as calculated in the EEV is £48.6 million and can be seen on page 24. This includes allowance for the initial strain.

Notes

1. The net annual management fee: this is the income on the funds under management that the Group retains after payment of the associated costs. Broadly speaking the Group retains around 0.7% post tax of funds under management.

2. Unwind of surrender penalties: this relates to the reserving methodology applied to the surrender penalties within the charging structure of the single premium life bonds. At the outset of the life bond we establish a liability net of the outstanding surrender penalty which would apply if the policy were to be encashed.

   As the surrender penalty reduces to zero so the liability to the policyholder is enhanced by increasing their funds by 1% per annum over the first six years of the product life, to correspond to this 'unwind' of the surrender penalty. In other words there is a cash transfer from the shareholder to the policyholder.

3. Profit / loss arising from new business: this is the cash flow arising in the year after taking into account the directly attributable expenses.

4. Establishment expenses: these are the post tax expenses commented on in point (ii) above and represent the running costs of the Group's infrastructure.

5. Investment income: this is the income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.

6. Miscellaneous: this represents the cash flow of the business not covered in any of the other categories. It will include miscellaneous product charges, reserving changes, experience variances and the income and expenses included within the Other operations of the business.

7. EUFT: this is a one off benefit in respect of obtaining tax relief for excess unrelieved foreign withholding tax.

(iv) Movements in Funds under Management

In my Financial Commentary in the 2007 Annual Report I provided disclosure on the movement on the funds under management. This disclosure has been repeated for the first half year in the table below:

	* 6 Months Ended 30 June 2008	* 6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£'Billion	£'Billion	£'Billion
Opening funds under management	18.2	15.4	15.4
New money invested	1.5	1.6	3.1
Net investment return	(1.8)	0.9	0.9
	17.9	17.9	19.4
Regular withdrawals / maturities	(0.2)	(0.2)	(0.3)
Surrenders / part surrenders	(0.5)	(0.4)	(0.9)
Closing funds under management	17.2	17.3	18.2
Implied surrender rate as % of average funds under management	5.0	5.2	5.4

* Annualised figures

Shareholders will be pleased to note that the strong retention of funds under management has continued into 2008. Noted below is an explanation of regular withdrawals, maturities and surrenders.

The regular withdrawals represent those amounts, selected by clients at the plan outset, which are paid out by way of periodic income. The withdrawals have been assumed in the calculation of the embedded value new business profit.

Maturities are those sums paid out where the plan has reached the selected maturity date (e.g. retirement date). The expected maturities have been assumed in the calculation of the embedded value new business profit.

Surrenders and part surrenders are those amounts where clients have chosen to withdraw money from their plan. Surrenders are assumed to occur in the calculation of the embedded value new business profit based on actual experience, updated on an annual basis, by plan duration and the age of the client. The implied surrender rate shown in the table above is very much a simple average and it should not be assumed that small movements in this rate will result in a change to the embedded value assumptions.

(v) Capital position

There has been considerable investor debate and focus on the balance sheets of financial institutions.

The capital position of the Group as at 30 June 2008, together with a categorisation of the net assets, is shown in the table below.

	Life	Other Regulated	Other	Total
	£'Million	£'Million	£'Million	£'Million
Solvency position				
Solvency net assets	142.9	28.4	80.5	251.8
Solvency requirement	38.0	14.6		
Solvency ratio	376%	195%		
Analysis of solvency net assets				
UK Govt. gilts	19.1	-	-	19.1
Other Govt backed debt	24.6	-	-	24.6
AAA rated money market funds	120.1	-	18.0	138.1
Bank balances	43.0	57.1	13.0	113.1
Fixed assets	-	-	9.9	9.9
Actuarial reserves	(57.8)	-	-	(57.8)
Other assets / liabilities	(6.1)	(28.7)	39.6	4.8
Solvency net assets	142.9	28.4	80.5	251.8
IFRS adjustments				
Purchased VIF	42.7	-	-	42.7
DAC / DIR / deferred tax	153.7	(9.1)	-	144.6
Other	22.4	-	3.7	26.1
IFRS net assets	361.7	19.3	84.2	465.2

It will be noted that the regulated entities are well capitalised over their solvency requirement and that the assets are prudently managed – being predominantly in cash and highly rated fixed interest securities.

The relatively low solvency requirement reflects the fact that the group does not have options or guarantees on its investment portfolio, is not exposed to longevity risk through an annuity book and uses a prudent reassurance programme to manage the mortality and morbidity risks of the life business.

(vi) Analysis of Embedded Value

The table below provides a summarised breakdown of the Embedded Value position at the reporting dates.

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Value of in-force			
- Life	727.2	682.9	746.2
- Unit trust	175.6	192.8	199.7
Solvency net assets	251.8	261.5	257.4
Total embedded value	1,154.6	1,137.2	1,203.3

(vii) Share options maturity

Options outstanding under the various share option schemes at 30 June 2008 amount to 33.8 million (31 December 2007: 35.0 million).

The total number of options including those in the SJP Employee Trust, together with their anticipated proceeds are set out in the table below:

Earliest date of exercise	**Average exercise price**	**Number of share options outstanding**	**Anticipated proceeds**
	£	Million	£' Million
Immediate	1.69	14.7	25.0
Jul – Dec 2008	1.83	0.4	0.8
Jan – Jun 2009	2.22	0.9	2.0
Jul – Dec 2009	2.75	16.2	44.4
Jan – Jun 2010	2.59	0.5	1.4
Jul – Dec 2010	2.62	0.2	0.4
Jan – Jun 2011	2.13	0.9	1.9
		33.8	75.9

(viii) Principal risks and uncertainties

At the time of preparing this report, the principal risks and uncertainties facing the business have not materially changed from those set out in the 2007 Annual Report under the Risk & Risk Management section of the Corporate Governance Report as set out on pages 43 and 44 of the Annual Report.

The volatile world stock markets and deteriorating economic indicators have led to the most challenging environment for a wealth management group for some time. Similar market conditions in the remainder of the year will continue to challenge the business both in terms of levels of new business and retention of existing funds under management.

(ix) Related party transactions

The related party transactions that have materially affected the financial position or performance during the first six month period are set out in Note 14 to the condensed half yearly financial statements.

Andrew Croft
28 July 2008

EUROPEAN EMBEDDED VALUE BASIS

The following information shows the result for the Group adopting a European Embedded Value (EEV) basis for reporting the results of its wholly owned life and unit trust businesses.

CONSOLIDATED INCOME STATEMENT

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Life business	91.8	96.7	189.9
Unit trust business	29.9	28.0	59.0
Other	(7.5)	(4.0)	(4.2)
Operating profit	114.2	120.7	244.7
Investment return variances	(175.7)	24.3	(14.5)
Economic assumption changes	(0.5)	(11.4)	0.2
EEV (loss) / profit on ordinary activities before tax	(62.0)	133.6	230.4
Tax			
Life business	7.4	(25.9)	(44.8)
Unit trust business	6.4	(9.9)	(15.3)
Other	(1.0)	3.1	(2.0)
Tax rate change	-	20.1	20.1
	12.8	(12.6)	(42.0)
EEV (loss) / profit on ordinary activities after tax	(49.2)	121.0	188.4
Dividends	12.1	39.4	47.7
	Pence	Pence	Pence
Proposed dividend per share	1.84	1.75	4.30
Basic earnings per share	(10.4)	26.1	40.5
Diluted earnings per share	(10.2)	24.7	38.8

EUROPEAN EMBEDDED VALUE BASIS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Opening shareholders' equity on an EEV basis	1,203.3	1,032.7	1,032.7
Post-tax (loss) / profit for the financial period	(49.2)	121.0	188.4
Dividends	(12.1)	(39.4)	(47.7)
Issue of share capital	3.7	23.7	26.7
Consideration paid for own shares	(0.2)	(7.7)	(10.3)
Retained earnings credit in respect of share based payment charge	9.0	5.9	12.5
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust	0.1	1.0	1.0
Closing shareholders' equity on an EEV basis	1,154.6	1,137.2	1,203.3

EUROPEAN EMBEDDED VALUE BASIS

CONSOLIDATED BALANCE SHEET

	30 June 2008	30 June 2007	31 December 2007
	£' Million	£' Million	£' Million
Assets			
Intangible assets			
Deferred acquisition costs	523.3	437.4	484.6
Value of long-term business in-force			
- long-term insurance	556.5	595.6	605.1
- unit trusts	175.6	192.8	199.7
	1,255.4	1,225.8	1,289.4
Property & equipment	9.9	6.2	10.4
Deferred tax assets	129.3	94.2	125.2
Investment property	604.9	708.4	642.5
Investments	11,937.9	11,999.8	12,599.9
Reinsurance assets	29.3	31.7	32.9
Insurance and investment contract receivables	20.5	11.9	18.0
Income tax assets	22.2	30.5	19.5
Other receivables	218.1	166.4	160.2
Cash & cash equivalents	2,089.4	1,593.9	1,929.2
Total assets	16,316.9	15,868.8	16,827.2
Liabilities			
Insurance contract liability provisions	374.3	401.8	405.4
Other provisions	5.1	3.3	5.3
Financial liabilities	13,730.7	13,300.5	14,155.4
Deferred tax liabilities	158.8	279.9	251.2
Insurance and investment contract payables	30.1	33.0	21.8
Deferred income	364.9	318.9	347.8
Income tax liabilities	28.9	35.7	50.0
Other payables	168.3	144.1	119.4
Net asset value attributable to unit holders	301.2	214.4	267.6
Total liabilities	15,162.3	14,731.6	15,623.9
Net assets	1,154.6	1,137.2	1,203.3
Shareholders' equity			
Share capital	71.8	71.2	71.5
Share premium	85.6	79.5	82.2
Other reserves	997.2	986.5	1,049.6
Total shareholders' equity	1,154.6	1,137.2	1,203.3
	Pence	Pence	Pence
Net assets per share	241.1	239.6	252.5

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

I. BASIS OF PREPARATION

The interim supplementary information on pages 19 to 25 shows the Group's results for the six months ended 30 June 2008 as measured on a European Embedded Value (EEV) basis with reduced disclosure, for interim reporting purposes, from that which would be required under the EEV Principles. The results of the life, pension and investment business, including unit trust business, undertaken by the Group are measured on a basis determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum, a group of chief financial officers from 19 major European insurers, as supplemented by the Additional Guidance on EEV disclosures in October 2005 (together "the EEV Principles"). The treatment of all other transactions and balances is unchanged from the statutory financial statements which are prepared on an IFRS basis. The objective of the interim supplementary information is to provide shareholders with more realistic information on the financial position and performance of the Group than that provided by the IFRS basis.

Under the EEV Principles, profit is recognised as it is earned over the life of the products within the covered business. The embedded value of the covered business is the sum of the shareholders' net worth on an IFRS basis in respect of the covered business and the present value of this projected profit stream.

II. METHODOLOGY AND ASSUMPTIONS

The methodology used to derive the European Embedded Values at both June 2007 and June 2008 is unchanged from that used at the end of 2007 and set out in detail on pages 129 to 131 of the 2007 Report and Accounts.

Apart from the assumptions set out below, there have been no changes to assumptions from those used at the end of 2007 and set out in detail on page 131 and 132 of the 2007 Report and Accounts.

a) Economic Assumptions

The principal economic assumptions used within the cash flows at 30 June 2008 are set out below.

	30 June 2008	30 June 2007	31 December 2007
Risk free rate	5.4%	5.7%	4.7%
Inflation rate	4.0%	3.3%	3.1%
Risk discount rate (net of tax)	8.5%	8.8%	7.8%
Future investment returns:			
- Gilts	5.4%	5.7%	4.7%
- Equities	8.4%	8.7%	7.7%
- Unit-linked funds:			
- Capital growth	4.5%	4.8%	3.9%
- Dividend income	3.3%	3.2%	3.2%
- Total	7.8%	8.0%	7.1%
Expense inflation	4.6%	3.9%	3.8%
Indexation of capital gains	2.9%	2.4%	2.2%

The risk free rate is set by reference to the yield on 10 year gilts. Other investment returns are set by reference to the risk free rate.

The inflation rate is derived from the implicit inflation in the valuation of 10 year index-linked gilts. For expense inflation, the underlying inflation rate is increased to reflect higher increases in earnings related expenses. The inflation rate is reduced by 10% to derive the indexation of capital gains for the proportion of the fund invested in equities.

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

III. COMPONENTS OF LIFE AND UNIT TRUST EEV PROFIT

Life business	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£'Million	£'Million	£'Million
New business contribution	46.4	53.3	114.5
Profit from existing business			
Unwind of discount rate	40.4	33.7	59.1
Experience variances	1.0	6.5	12.2
Operating assumption changes	-	(0.3)	(2.8)
Investment income	4.0	3.5	6.9
Life operating profit before tax	91.8	96.7	189.9
Investment return variances	(123.1)	16.2	(9.5)
Economic assumption changes	(0.3)	(10.6)	(0.3)
Life (loss) / profit before tax	(31.6)	102.3	180.1
Attributed tax	7.4	(25.9)	(44.8)
Tax rate change	-	15.8	15.8
Life (loss) / profit after tax	(24.2)	92.2	151.1

New business contribution after tax is £35.0 million (30 June 2007: £39.5 million).

Unit trust business	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
New business contribution	18.9	18.2	36.4
Profit from existing business			
Unwind of discount rate	11.0	9.9	18.6
Experience variances	-	(0.2)	4.0
Operating assumption changes	-	0.1	-
Unit trust operating profit before tax	29.9	28.0	59.0
Investment return variances	(52.6)	8.1	(5.0)
Economic assumption changes	(0.2)	(0.8)	0.5
Unit trust (loss) / profit before tax	(22.9)	35.3	54.5
Attributed tax	6.4	(9.9)	(15.3)
Tax rate change	-	4.3	4.3
Unit trust (loss) / profit after tax	(16.5)	29.7	43.5

New business contribution after tax is £13.6 million (30 June 2007: £13.1 million).

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

Combined life and unit trust business	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
New business contribution	65.3	71.5	150.9
Profit from existing business			
Unwind of discount rate	51.4	43.6	77.7
Experience variances	1.0	6.3	16.2
Operating assumption changes	-	(0.2)	(2.8)
Investment income	4.0	3.5	6.9
Operating profit before tax	121.7	124.7	248.9
Investment return variances	(175.7)	24.3	(14.5)
Economic assumption changes	(0.5)	(11.4)	0.2
(Loss) / profit before tax	(54.5)	137.6	234.6
Attributed tax	13.8	(35.8)	(60.1)
Tax rate change	-	20.1	20.1
(Loss) / profit after tax	(40.7)	121.9	194.6

New business contribution after tax is £48.6 million (30 June 2007: £52.6 million).

IV. SENSITIVITIES

The table below shows the estimated impact on the combined life and unit trust reported value of new business and EEV to changes in various EEV calculated assumptions. In each case, only the indicated item is varied relative to the restated values.

	Note	Change in new business contribution Pre-tax	Change in new business contribution Post-tax	Change in European Embedded Value Post-tax
		£' Million	£' Million	£' Million
Value at 30 June 2008		65.3	48.6	1,154.6
100bp reduction in risk rate discount	1	10.5	7.8	71.1
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	2	(0.6)	(0.4)	(3.1)
10% reduction in withdrawal rates		6.3	4.7	45.7
10% reduction in expenses		1.4	1.0	14.8
10% reduction in market value of equity assets	3	-	-	(94.7)
5% reduction in mortality and morbidity	4	0.0	0.0	(0.1)
100bp increase in equity expected returns	5	-	-	0.0

NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

Note 1: Although not directly relevant under a market-consistent valuation where the risk discount rate is a derived disclosure only, this sensitivity shows the level of adjustment which would be required to reflect differing investor views of risk.
Note 2: Assumes corresponding change in all investment returns, but no change in inflation.
Note 3: For the purposes of this sensitivity all unit linked funds are assumed to be invested in equities.
Note 4: Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.
Note 5: As a market consistent approach is used, equity expected returns only affect the derived discount rates and not the embedded value or contribution to profit from new business.

V. RECONCILIATION OF IFRS AND EEV PROFIT BEFORE TAX AND NET ASSETS

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
IFRS (loss) / profit before tax	(52.2)	65.8	103.2
Movement in life value of in-force	21.3	41.1	88.6
Movement in unit trust value of in-force	(31.1)	26.7	38.6
Total EEV (loss) / profit before tax	(62.0)	133.6	230.4

	30 June 2008	30 June 2007	31 December 2007
	£'Million	£'Million	£'Million
IFRS net assets	465.2	394.0	442.5
Less: acquired value of in-force	(59.3)	(62.7)	(61.0)
Add: deferred tax on acquired value of in-force	16.6	17.5	17.0
Add: life value of in-force	556.5	595.6	605.1
Add: unit trust value of in-force	175.6	192.8	199.7
EEV net assets	1,154.6	1,137.2	1,203.3

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
CONSOLIDATED INCOME STATEMENT

	Note	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
		£' Million	£' Million	£' Million
Insurance premium revenue		44.1	45.7	97.2
Less premiums ceded to reinsurers		(15.9)	(13.8)	(27.3)
Net insurance premium revenue		28.2	31.9	69.9
Fee and commission income		50.2	44.3	83.8
Investment return		(1,128.1)	931.7	1,088.8
Other operating income		1.0	2.1	2.5
Net revenue	2	(1,048.7)	1,010.0	1,245.0
Policy claims and benefits incurred		(27.6)	(27.5)	(50.7)
Less reinsurance recoveries		10.1	10.1	18.2
Net policyholder claims and benefits incurred		(17.5)	(17.4)	(32.5)
Change in insurance contract liabilities				
Gross amount		31.0	(25.1)	(31.0)
Reinsurers' share		(3.6)	3.0	4.6
Net change in insurance contract liabilities		27.4	(22.1)	(26.4)
Investment contract benefits		1,176.5	(720.4)	(697.1)
Fees, commission and other acquisition costs		(132.1)	(135.8)	(269.9)
Administration expenses		(56.1)	(46.9)	(112.6)
Other operating expenses		(1.7)	(1.6)	(3.3)
		(189.9)	(184.3)	(385.8)
Operating (loss) / profit and (loss) / profit before tax	2	(52.2)	65.8	103.2
Tax on policyholders' return	3	85.0	(45.9)	(7.1)
Tax on shareholders' return	3	(10.6)	8.4	(18.0)
Total tax credit / (expense)		74.4	(37.5)	(25.1)
Profit for period attributable to shareholders	2	22.2	28.3	78.1

	Note	Pence	Pence	Pence
Proposed dividend per share	4	1.84	1.75	4.30
Basic earnings per share	5	4.7	6.1	16.8
Diluted earnings per share	5	4.6	5.8	16.1

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
		£' Million	£' Million	£' Million
Opening shareholders' equity		442.5	382.2	382.2
Profit for the financial period, being total recognised income for the financial period		22.2	28.3	78.1
Dividends	4	(12.1)	(39.4)	(47.7)
Issue of share capital				
Scrip dividend		2.0	10.5	10.7
Exercise of share options		1.7	13.2	16.0
Consideration paid for own shares		(0.2)	(7.7)	(10.3)
Retained earnings credit in respect of share based payment charge		9.0	5.9	12.5
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust		0.1	1.0	1.0
Net increase to shareholders' equity		22.7	11.8	60.3
Closing shareholders' equity		465.2	394.0	442.5

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
CONSOLIDATED BALANCE SHEET

	Note	30 June 2008	30 June 2007	31 December 2007
		£' Million	£' Million	£' Million
Assets				
Intangible assets				
Deferred acquisition costs	7	523.3	437.4	484.6
Acquired value of in-force business		59.3	62.7	61.0
		582.6	500.1	545.6
Property & equipment		9.9	6.2	10.4
Deferred tax assets	8	129.3	94.2	125.2
Investment property		604.9	708.4	642.5
Investments				
Equities		9,950.5	10,416.4	10,780.4
Fixed income securities		813.9	655.5	720.7
Investment in Collective Investment Schemes		1,173.2	927.1	1,098.8
Currency forwards		0.3	0.8	-
Reinsurance assets		29.3	31.7	32.9
Insurance and investment contract receivables		20.5	11.9	18.0
Income tax assets		22.2	30.5	19.5
Other receivables		218.1	166.4	160.2
Cash & cash equivalents		2,089.4	1,593.9	1,929.2
Total assets		15,644.1	15,143.1	16,083.4
Liabilities				
Insurance contract liability provisions		374.3	401.8	405.4
Other provisions	9	5.1	3.3	5.3
Financial liabilities				
Investment contracts		13,719.7	13,288.2	14,144.0
Borrowings		10.5	12.3	11.2
Currency forwards		0.5	-	0.2
Deferred tax liabilities	10	175.4	297.4	268.2
Insurance and investment contract payables		30.1	33.0	21.8
Deferred income	11	364.9	318.9	347.8
Income tax liabilities		28.9	35.7	50.0
Other payables		168.3	144.1	119.4
Net asset value attributable to unit holders		301.2	214.4	267.6
Total liabilities		15,178.9	14,749.1	15,640.9
Net assets		465.2	394.0	442.5
Shareholders' equity				
Share capital	12	71.8	71.2	71.5
Share premium	13	85.6	79.5	82.2
Other reserves	13	(13.9)	(12.2)	(15.9)
Retained earnings	13	321.7	255.5	304.7
Total shareholders' equity		465.2	394.0	442.5
Dividends		12.1	39.4	47.7
		Pence	Pence	Pence
Net assets per share		97.1	83.0	92.9

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Cash flows from operating activities			
(Loss) / profit before tax for the financial period	(52.2)	65.8	103.2
Adjustments for:			
Depreciation	1.7	1.1	2.2
Amortisation of acquired value of in-force business	1.7	1.6	3.3
Share based payment charge	9.0	5.9	12.5
Changes in operating assets and liabilities			
Increase in deferred acquisition costs	(38.7)	(43.8)	(91.0)
Decrease / (increase) in investment property	37.6	(140.2)	(74.3)
Decrease / (increase) in investments	662.0	(1,426.0)	(2,026.1)
Decrease / (increase) in reassurance assets	3.6	(3.4)	(4.6)
Increase in insurance contract receivables	(2.5)	(0.4)	(6.5)
Increase in other receivables	(61.7)	(91.9)	(75.8)
(Decrease) / increase in insurance contract liability provisions	(31.1)	27.5	31.1
(Decrease) / increase in provisions	(0.2)	0.2	2.2
(Decrease) / increase in financial liabilities (excluding borrowings)	(421.9)	1,473.5	2,319.0
Increase in payables related to direct insurance contracts	8.3	14.5	3.3
Increase in deferred income	17.1	27.0	55.9
Increase in other payables	46.4	43.6	18.9
Increase in net assets attributable to unit holders	33.6	81.9	135.1
Cash generated from operations	212.7	36.9	408.4
Income taxes paid	(40.0)	(20.5)	(52.8)
Net cash from operating activities	172.7	16.4	355.6
Cash flows from investing activities			
Acquisition of property & equipment	(1.3)	(1.1)	(6.5)
Proceeds from sale of plant & equipment	0.1	0.1	0.1
Net cash from investing activities	(1.2)	(1.0)	(6.4)
Cash flows from financing activities			
Proceeds from the issue of share capital	3.7	23.7	26.7
Consideration paid for own shares	(0.2)	(7.7)	(10.3)
Proceeds from exercise of options over shares held in trust	0.1	1.0	1.0
Repayment of borrowings	(0.7)	(0.8)	(1.9)
Dividends paid	(12.1)	(39.4)	(47.7)
Net cash from financing activities	(9.2)	(23.2)	(32.2)
Net increase / (decrease) in cash & cash equivalents	162.3	(7.8)	317.0
Cash & cash equivalents at 1 January	1,929.2	1,606.9	1,606.9
Effect of exchange rate fluctuations on cash level	(2.1)	(5.2)	5.3
Cash & cash equivalents	2,089.4	1,593.9	1,929.2

INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS
NOTES TO THE CONSOLIDATED HALF YEARLY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This condensed set of consolidated half yearly financial statements for the six months ended 30 June 2008 comprise the half yearly financial statements of St. James's Place plc (the "Company") and its subsidiaries (together referred to as the "Group").

This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2007. Those Group financial statements were prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU.

2. SEGMENT REPORTING

Net revenue	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Life business			
Net insurance premium income	28.2	31.9	69.9
Net movement on deferred income	(5.3)	(11.4)	(30.5)
Investment income – unit linked policyholders	(1,097.3)	916.7	1,063.9
Segment revenue	(1,074.4)	937.2	1,103.3
Unit trust business			
Fee income (excluding deferred income)	44.2	43.3	85.4
Net movement on deferred income	(11.8)	(15.6)	(25.4)
Segment revenue	32.4	27.7	60.0
Other business			
Commission income	23.1	28.0	54.3
Investment income – other shareholders	5.0	4.0	11.6
Investment income – other(i)	(35.8)	11.0	13.3
Other operating income	1.0	2.1	2.5
Segment revenue	(6.7)	45.1	81.7
Total net revenue	(1,048.7)	1,010.0	1,245.0

(i) *Investment income - other* relates to investment income on third party interest holdings in the St. James's Place unit trusts which are subject to consolidation (the third party interest holdings are disclosed as "net asset value attributable to unit holders" within the balance sheet). This income is offset by a change in investment contract benefits within the income statement.

NOTES TO THE CONSOLIDATED HALF YEARLY FINANCIAL STATEMENTS (continued)

Segment Result	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Life business			
Shareholder	32.1	15.3	84.4
Policyholder tax gross up	(85.0)	45.9	7.1
Unit trust business	8.2	8.6	15.9
Other business	(7.5)	(4.0)	(4.2)
Total operating (loss) / profit and (loss) / profit before tax	(52.2)	65.8	103.2
Income taxes			
Policyholder tax	85.0	(45.9)	(7.1)
Shareholder tax	(10.6)	8.4	(18.0)
Profit after tax	22.2	28.3	78.1

3. INCOME TAXES

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Policyholder tax			
Overseas withholding tax	12.0	9.1	12.4
Deferred tax on unrelieved expenses			
Current year credit	(1.4)	-	(7.5)
Prior year credit	-	-	(30.4)
Deferred tax on unrealised gains in unit linked funds	(103.0)	16.5	(23.2)
UK corporation tax			
Current year	9.9	22.6	55.8
Prior year	(2.5)	(2.3)	-
Total policyholder tax (credit) / charge for the period	(85.0)	45.9	7.1
Shareholder tax			
UK corporation tax			
Current year	3.2	-	4.6
Prior year	(0.4)	(1.9)	1.0
Overseas tax	0.3	0.6	2.2
Deferred tax (credit)/charge			
On unrelieved expenses	-	(9.8)	-
Other	7.5	2.7	10.2
Total shareholder tax charge / (credit) for the period	10.6	(8.4)	18.0

The prior year credit for deferred tax on unrelieved expenses relates to the change in basis of valuation for tax relief from a market consistent stochastic model to the recognition of deferred tax on the entire balance of unrelieved expenses. In addition, where deferred tax balances represent future adjustments at the policyholder rate, these are now recognised as policyholder items.

NOTES TO THE CONSOLIDATED HALF YEARLY FINANCIAL STATEMENTS (continued)

4. DIVIDENDS

The following dividends have been paid by the Company:

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
2006 final dividend – 2.15 pence per ordinary share	-	10.0	10.0
2006 special dividend – 6.35 pence per ordinary share	-	29.4	29.4
2007 interim dividend – 1.75 pence per ordinary share	-	-	8.3
2007 final dividend – 2.55 pence per ordinary share	12.1	-	-
Total dividends paid	12.1	39.4	47.7

The directors have resolved to pay an interim dividend of 1.84 pence per share (2007: 1.75 pence). This amounts to £8.8 million (2007: £8.3 million) and will be paid on 17 September 2008 to shareholders on the register at 8 August 2008.

5. EARNINGS PER SHARE

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	Pence	Pence	Pence
Basic earnings per share	4.7	6.1	16.8
Diluted earnings per share	4.6	5.8	16.1

NOTES TO THE CONSOLIDATED HALF YEARLY FINANCIAL STATEMENTS (continued)

The calculation of diluted earnings per share is based on the following figures:

	6 Months Ended 30 June 2008	6 Months Ended 30 June 2007	12 Months Ended 31 December 2007
	£' Million	£' Million	£' Million
Earnings			
Profit after tax *(for both basic and diluted EPS)*	22.2	28.3	78.1
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	471.5m	463.7m	465.6m
Adjustments for outstanding share options	8.9m	25.9m	20.4m
Weighted average number of ordinary shares *(for diluted EPS)*	480.4m	489.6m	486.0m

6. ASSETS HELD TO COVER LINKED LIABILITIES

Included within the balance sheet are the following assets and liabilities which represent the net assets held to cover linked liabilities. The difference between these assets and liabilities and those shown in the consolidated balance sheet represents assets and liabilities held outside the unit-linked funds.

	30 June 2008	30 June 2007	31 December 2007
	£' Million	£' Million	£' Million
Assets			
Investment property	604.9	708.4	642.5
Investments			
Equities	9,684.8	10,212.2	10,535.7
Fixed income securities	752.1	609.1	666.0
Investment in Collective Investment Schemes	1,027.5	733.3	864.1
Currency forwards	0.3	0.8	-
Other receivables	102.2	90.0	68.4
Cash & cash equivalents	1,962.8	1,476.2	1,841.3
Total assets	14,134.6	13,830.0	14,618.0
Liabilities			
Financial liabilities			
Currency forwards	0.5	-	0.2
Deferred tax liabilities	17.2	156.2	117.6
Other payables	108.5	75.4	45.0
Total liabilities	126.2	231.6	162.8
Net assets held to cover linked liabilities	14,008.4	13,598.4	14,455.2

7. DEFERRED ACQUISITION COSTS

	30 June 2008	30 June 2007	31 December 2007
	£' Million	£' Million	£' Million
Life business - insurance DAC	25.9	26.6	26.7
Life business - investment DAC	397.9	328.4	368.0
Unit trust business - investment DAC	99.5	82.4	89.9
Total deferred acquisition costs	523.3	437.4	484.6

Amortisation of deferred acquisition costs is charged within the fees, commission and other acquisition costs line in the income statement.

8. DEFERRED TAX ASSETS

	30 June 2008	30 June 2007	31 December 2007
	£' Million	£' Million	£' Million
Life business - unrelieved expenses	56.4	26.9	55.0
Life business - deferred income	34.3	32.5	34.1
Unit trust business - deferred income	31.4	25.4	28.1
Other	7.2	9.4	8.0
Total deferred tax assets	129.3	94.2	125.2

9. OTHER PROVISIONS

	30 June 2008	30 June 2007	31 December 2007
	£' Million	£' Million	£' Million
At beginning of period	5.3	3.1	3.1
Movement in the period	(0.2)	0.2	2.2
At end of period	5.1	3.3	5.3

Other provisions at 30 June 2008 consist of £3.7 million to meet obligations arising as a result of the closure of offices, £0.3 million in respect of the policyholder costs of redress for endowment business and £1.1 million in respect of miscellaneous items.

NOTES TO THE CONSOLIDATED HALF YEARLY FINANCIAL STATEMENTS (continued)

10. DEFERRED TAX LIABILITIES

	30 June 2008	30 June 2007	31 December 2007
	£' Million	£' Million	£' Million
On deferred acquisition costs	135.9	113.4	125.6
On acquired value of in-force business	16.6	17.5	17.0
Within unit-linked funds	17.2	156.6	117.6
Other	5.7	9.9	8.0
Total deferred tax liabilities	175.4	297.4	268.2

11. DEFERRED INCOME

	30 June 2008	30 June 2007	31 December 2007
	£' Million	£' Million	£' Million
Life business	252.7	228.3	247.4
Unit trust business	112.2	90.6	100.4
Total deferred income	364.9	318.9	347.8

12. SHARE CAPITAL

	Number	Nominal value
		£' Million
At 30 June 2007	474,539,891	71.2
Issue of shares	1,945,962	0.3
At 31 December 2007	476,485,853	71.5
Issue of shares	2,446,890	0.3
At 30 June 2008	478,932,743	71.8

NOTES TO THE CONSOLIDATED HALF YEARLY FINANCIAL STATEMENTS (continued)

13. RESERVES

	Share Premium	Treasury Shares Reserve	Retained Earnings	Miscellaneous Reserves	Total
	£' Million	£' Million	£' Million	£' Million	£' Million
At 31 December 2006	57.4	(10.7)	263.6	2.3	312.6
Profit for the financial period			28.3		28.3
Dividends			(39.4)		(39.4)
Issue of share capital					
Scrip dividend	10.2				10.2
Exercise of options	11.9				11.9
Consideration paid for own shares		(7.7)			(7.7)
Own shares vesting charge		3.9	(3.9)		-
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust			1.0		1.0
Retained earnings credit in respect of share option charges			5.9		5.9
At 30 June 2007	79.5	(14.5)	255.5	2.3	322.8
At 31 December 2007	82.2	(18.2)	304.7	2.3	371.0
Profit for the financial period			22.2		22.2
Dividends			(12.1)		(12.1)
Issue of share capital					
Scrip dividend	1.9				1.9
Exercise of options	1.5				1.5
Consideration paid for own shares		(0.2)			(0.2)
Own shares vesting charge		2.2	(2.2)		-
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust			0.1		0.1
Retained earnings credit in respect of share option charges			9.0		9.0
At 30 June 2008	85.6	(16.2)	321.7	2.3	393.4

Miscellaneous reserves represent other non-distributable reserves.

NOTES TO THE CONSOLIDATED HALF YEARLY FINANCIAL STATEMENTS (continued)

14. RELATED PARTY TRANSACTIONS

The Company and the Group have entered into related party transactions with HBOS plc ("HBOS"), and various subsidiaries of HBOS. HBOS, which owns 60% of the Company's share capital, is the ultimate controlling party of the Group.

Transactions with HBOS and HBOS group companies

The following material transactions were carried out, on an arm's length basis, with HBOS and its subsidiaries during the period:

- Commission of £4.5 million (2007: £6.9 million) was receivable in relation to sales of various products and services offered by HBOS group companies
- At 30 June 2008, bank deposits of £70.5 million (2007: £46.5 million) were held with Bank of Scotland
- Amounts lent by, or assigned to, the Bank of Scotland to members of the St. James's Place Partnership, under guarantee by SJP, totalled £62.8 million (2007: £57.0 million)
- Fees of £1.6 million (2007: £2.7 million) were payable to Invista Real Estate Investment Management Limited (55% owned by HBOS) in respect of investment management services

15. STATUTORY ACCOUNTS

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2007 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies.

The report of the auditors was unqualified and did not include a reference to any matter to which the auditors drew attention to, by way of emphasis without qualifying their report, and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

16. APPROVAL OF HALF YEARLY REPORT

These condensed consolidated half yearly financial statements were approved by the Board of Directors on 28 July 2008.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The condensed financial statements on pages 26 to 37 were approved by the Board of Directors on 28 July 2008 and were signed on its behalf by:

D Bellamy	**A Croft**
Chief Executive	Finance Director

INDEPENDENT REVIEW REPORT BY KPMG AUDIT PLC TO ST. JAMES'S PLACE PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, and the related explanatory notes and to review the European Embedded Value Basis Supplementary Information for the six months ended 30 June 2008 which comprises the Consolidated Income Statement, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Balance Sheet and the related explanatory notes ("the Supplementary Information").

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements or the Supplementary Information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA") and also to provide a review conclusion to the company on the Supplementary Information. Our review of the condensed set of financial statements has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. Our review of the Supplementary Information has been undertaken so that we might state to the company those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA. The directors have accepted responsibility for preparing the Supplementary Information contained in the half-yearly financial report in accordance with the European Embedded Value Principles issued in May 2004 by the European CFO Forum and supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 (together the 'EEV Principles') and for determining the methodology and assumptions used in the application of those principles.

As disclosed in note I, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The Supplementary Information has been prepared in accordance with the EEV Principles, using the methodology and assumptions set out in note II to the Supplementary Information. The Supplementary Information should be read in conjunction with the group's condensed financial statements which are set out on pages 26 to 37.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements and the Supplementary Information in the half-yearly financial report based on our review.

Scope of review

We conducted our reviews in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information and Supplementary Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Based on our review, nothing has come to our attention that causes us to believe that the Supplementary Information for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the EEV Principles, using the methodology and assumptions set out in note II to the Supplementary Information.

KPMG Audit Plc
Chartered Accountants
London

28 July 2008