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ST. JAMES'S PLACE WEALTH MANAGEMENT

PRESS RELEASE

28 July 2010

HALF YEAR RESULTS FOR THE SIX MONTHS TO 30 JUNE 2010

THIRD CONSECUTIVE RECORD QUARTER

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 2010

Highlights of the half year results are:

New Business:

- Total new business, on an APE basis, of £292.6 million (2009: £203.0 million) up 44%
- Second quarter record new APE of £159.3 million (2009: £109.2 million) up 46%
- Total single investments of £2.4 billion (2009: £1.5 billion) up 60%
- Our own manufactured business represents 91% of new business

Funds Under Management:

- Continued strong retention of existing clients' funds
- Net inflow of funds under management of £1.5 billion (2009: £1.0 billion) up 50%
- Funds under management of £22.4 billion

St. James's Place Partnership:

- Partnership numbers at 1,506 up 3% since the start of the year

Profit – EEV basis**:**

- Group operating profit at £162.1 million (2009: £101.0 million) up 60%
- New business profits of £100.9 million (2009: £61.3 million) up 65%
- Net asset value per share 294.9 pence (2009: 234.3 pence) up 26%

– IFRS basis**:**

- Profit before shareholder tax of £36.3 million (2009: £20.0 million) up 82%
- Net asset value per share 116.3 pence (2009: 107.8 pence) up 8%

Interim Dividend:

- Interim dividend 2.025 pence per share up 10%

David Bellamy, Chief Executive, commented:

"I am delighted to be reporting another exceptional set of results. The strong growth in our new business, profits and net inflows are the result of the professionalism of our Partnership distribution, the breadth of our Investment proposition and the dedication and commitment of our entire team."

"Despite the economic and stock market uncertainty, we remain positive about our ability to deliver further growth for the remainder of the year albeit with a tougher comparative in the final quarter."

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TOTAL LONG TERM SAVINGS

	Unaudited 3 Months to 30 June 2010			Unaudited 6 Months to 30 June 2010		
NEW PREMIUMS	**2010 £'m**	**2009 £'m**	**Change %**	**2010 £'m**	**2009 £'m**	**Change %**
New Regular Premiums						
- Pensions	26.7	21.8	22%	44.1	40.2	10%
- Protection	5.0	4.6	9%	9.4	8.9	6%
	31.7	**26.4**	**20%**	**53.5**	**49.1**	**9%**
New Single Premiums						
- Investment	507.7	310.3	64%	948.7	580.6	63%
- Pensions	371.4	269.7	38%	749.8	549.8	36%
	879.1	**580.0**	**52%**	**1,698.5**	**1,130.4**	**50%**
Unit Trust Sales (including PEPs and ISAs)	**397.1**	**247.6**	**60%**	**692.7**	**408.3**	**70%**

	Unaudited 3 Months to 30 June 2010			Unaudited 6 Months to 30 June 2010		
	2010 £'m	**2009 £'m**	**Change %**	**2010 £'m**	**2009 £'m**	**Change %**
NEW BUSINESS (RP + 1/10TH SP)						
Investment	90.5	55.8	62%	164.1	98.9	66%
Pensions	63.8	48.8	31%	119.1	95.2	25%
Protection	5.0	4.6	9%	9.4	8.9	6%
Total	**159.3**	**109.2**	**46%**	**292.6**	**203.0**	**44%**

ST. JAMES'S PLACE WEALTH MANAGEMENT
NEW BUSINESS FIGURES
FOR THE SIX MONTHS TO 30 JUNE 2010
MANUFACTURED
LONG TERM SAVINGS

	Unaudited 3 Months to 30 June 2010			Unaudited 6 Months to 30 June 2010		
NEW PREMIUMS	**2010 £'m**	**2009 £'m**	**Change %**	**2010 £'m**	**2009 £'m**	**Change %**
New Regular Premiums						
- Pensions	19.7	18.3	8%	34.8	32.3	8%
- Protection	1.1	1.1	-	2.4	2.2	9%
	20.8	**19.4**	**7%**	**37.2**	**34.5**	**8%**
New Single Premiums						
- Investment	491.8	305.5	61%	929.1	574.6	62%
- Pensions	336.7	237.0	42%	676.9	489.3	38%
	828.5	**542.5**	**53%**	**1,606.0**	**1,063.9**	**51%**
Unit Trust Sales (including PEPs and ISAs)	**397.1**	**247.6**	**60%**	**692.7**	**408.3**	**70%**

	Unaudited 3 Months to 30 June 2010			Unaudited 6 Months to 30 June 2010		
	2010 £'m	**2009 £'m**	**Change %**	**2010 £'m**	**2009 £'m**	**Change %**
NEW BUSINESS (RP + 1/10TH SP)						
Investment	88.9	55.3	61%	162.1	98.3	65%
Pensions	53.4	42.0	27%	102.5	81.2	26%
Protection	1.1	1.1	-	2.4	2.2	9%
Total	**143.4**	**98.4**	**46%**	**267.0**	**181.7**	**47%**

% of total new business	90%	90%	91%	90%

ST. JAMES'S PLACE WEALTH MANAGEMENT
NEW BUSINESS FIGURES
FOR THE SIX MONTHS TO 30 JUNE 2010
NON MANUFACTURED
LONG TERM SAVINGS

- Investment premiums of £19.6 million (2009: £6.0 million), amounting to £2.0 million (2009: £0.6 million) on an APE basis.

- Pension single premiums of £72.9 million (2009: £60.5 million) and regular premiums of £9.3 million (2009: £7.9 million), amounting to £16.6 million (2009: £14.0 million) on an APE basis.

- Protection business of £7.0 million regular premiums (2009: £6.7 million).

- Total new business, on an APE basis, of £25.6 million (2009: £21.3 million).

INTERIM MANAGEMENT REPORT

INTERIM STATEMENT

At the end of 2009, we said, “our business was in really good shape and that growth in the Partnership in recent years gave us a solid foundation for further growth in the business.” That has certainly been demonstrated in the first six months of 2010, where this growth, together with the professionalism of the Partnership and the breadth of our investment approach, continues to enhance our reputation and generate strong growth in new business and profits.

New Business

Total new business for the six months, on an annual premium equivalent basis, was up 44% with both the first and second quarters reflecting record new levels of business.

New single investment and pension business in the six months of £2.4 billion was some 60% higher than the same period of 2009. These record results together with the strong retention of existing client funds resulted in a net fund inflow of £1.5 billion, an increase of 50% compared with the same period last year. Total funds under management were £22.4 billion at the half year end.

Financial performance

As in previous years, our results have been prepared on both an IFRS (International Financial Reporting Standards) basis and on an EEV (European Embedded Value) basis.

On an IFRS basis the operating profit before shareholder tax at £36.3 million was 82% higher than the £20.0 million for the prior year.

On an EEV basis the pre-tax operating profit for the six months at £162.1 million was 60% higher than the £101.0 million for 2009.

The underlying results on both bases were a record for the first six months.

Cash generated from the in-force book of business was up 47% at £52.6 million for the first six months of the year (2009: £35.9 million), and the amount re-employed during this period acquiring new business, or put another way the investment for future cash profit, at £33.9 million (2009: £35.3 million) was at a similar level to last year. The net effect of these two numbers provides for net cash generated of £18.7 million compared with £0.6 million for the first six months of 2009.

Dividend

Although the cash generated in the first six months of the year increased significantly, markets remain quite fragile. Against this background, the Board has resolved to increase the interim dividend by 10% to 2.025 pence per share.

This dividend will be paid on 15 September 2010 to shareholders on the register at the close of business on 6 August 2010. Shareholders will again be offered a scrip dividend alternative.

The level of increase in the final dividend will depend on how we and stock markets perform throughout the remainder of the year and of course the outlook for 2011.

Investment Management

The investment markets initially rallied in the first part of the half year with the FTSE 100 for example showing strong growth of 7-8% up to 15 April before falling back to end the six months down 9% at 4,916. Against this backdrop our funds have performed solidly.

During the first half we have further evolved our fund range with the addition of three new funds launched on 6 April 2010: an Emerging Markets fund managed by Jonathan Asante of *First State Investments (UK)*; an International Corporate Bond fund managed by Jill Fields and Zak Summerscale of *Babson Capital Management*; and an Absolute Return fund managed by Mark Lyttleton and Nick Osborne of *BlackRock*. These three new funds have seen inflows in excess of £200 million in their first three months.

In addition to these most recent changes, we anticipate further development of our fund and manager range to further strengthen the investment proposition.

The St. James's Place Partnership

We continued to attract high quality advisers to the Partnership in the first half of the year. This, coupled with our high retention rate of Partners, saw the size of the Partnership grow by 3% to 1,506.

In addition to the growth in the number of Partners, productivity increased significantly during the first six months.

At the same time, the Partnership made excellent progress towards the increased qualifications required of them by the forthcoming regulatory changes.

Partners and employees

These excellent new business and profits achieved during the first six months are a tribute to the endeavours of our Partners and employees.

The spirit, enthusiasm, commitment and dedication of the Partnership, our employees and the staff in our administration centres are once again first rate.

On behalf of the Board and shareholders, our appreciation goes to everyone connected with St. James's Place for their contribution to these strong results.

Lloyds Banking Group

The Directors recognise that there has been growing uncertainty over the intentions of our majority shareholder Lloyds Banking Group (LBG). Consequently, discussions with LBG have taken place during which LBG made clear it is a strong supporter of St. James's Place and has warmly welcomed our recent very strong business performance. Furthermore, LBG has indicated that it has no intention to sell down, or dispose of, its stake in St. James's Place at this time.

Outlook

Despite the economic and stock market uncertainty, we remain positive about our ability to deliver further growth for the remainder of the year albeit with a tougher comparative in the final quarter.

Mike Wilson
Chairman
27 July 2010

David Bellamy
Chief Executive

INTERIM MANAGEMENT REPORT

FINANCIAL COMMENTARY

The financial performance in the first six months of 2010 has been very strong. On the back of the record new business figures, we are reporting record underlying profits together with a strong cash result, enabling us to increase the dividend by 10%.

PRESENTATION OF FINANCIAL RESULTS

As I stated in the 2009 full year comment, our business is long term in nature with an initial investment required to acquire new business and with shareholder cash returns emerging over time. Therefore the performance of the business is presented on three bases; IFRS, EEV and a cash result.

The EEV result recognises the long-term nature of the emergence of shareholder cash returns by reflecting the net present value of these future cash flows.

The cash result is a measure of the underlying cash generated by the business. The result is a combination of the cash arising from the business in-force at the start of the year less the costs incurred to acquire new business in the current year. In effect a proportion of the cash generated from the in-force business is reinvested to acquire future cash returns from the business added during the year.

The aim of the IFRS result is to smooth the recognition of profit from new business and spread the benefit over the life of the contracts. Therefore the result reflects neither the future shareholder value added nor the capital impact of the new business in a particular year.

By contrast the EEV result provides a measure of the future shareholder value added from the new business in a particular year, whilst the cash result provides a measure of the capital that has been generated for shareholders in the year (a factor in determining the dividend). We believe it is these two measures that better represent shareholder value.

Sections 1-3 provide a commentary on the performance of the business on these bases whilst Section 4 covers other matters of interest to shareholders.

SECTION 1: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRS Result

The IFRS result is shown on pages 33 to 46.

The IFRS result requires the pre-tax profit of the life business to be 'grossed up' for policyholder tax, with the corresponding amount then being deducted within the tax charge. The table below reflects the IFRS result after eliminating this 'gross up' in order to show the shareholder return from the business. The Board view this figure as the best measure of the performance for the period based on the IFRS result.

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£' Million	£' Million	£' Million
Life business	27.5	24.2	53.6
Unit trust business	8.4	6.7	16.8
Distribution business	5.9	(5.0)	(7.5)
Other	(5.5)	(5.9)	(13.0)
Profit before shareholder tax	36.3	20.0	49.9
Policyholder tax	(8.1)	13.0	(21.4)
Total pre-tax profit	28.2	33.0	28.5
Policyholder tax	8.1	(13.0)	21.4
Shareholder tax	(7.9)	(4.0)	(10.1)
Profit after tax	28.4	16.0	39.8

Life business

The life business pre-tax profit for the six months at £27.5 million was higher than the £24.2 million for the same period last year.

The principal contributor to this rise in profit was the higher income from funds under management reflecting the new business volumes and recovering markets. The interest earnings on the free assets of the Group remain depressed due to the continuing low bank base rates. Our investment policy for managing these free assets remains very prudent.

Unit trust business

The unit trust profit for the six months at £8.4 million (2009: £6.7 million) was also higher than the same period last year, due to higher funds under management.

Distribution business

To further assist shareholder understanding we have separately identified the distribution activities from 'Other' operations and will show this business line separately going forward. The distribution business is the company with which the Partnership is contracted and regulated. Like any distribution company the income of the business unit is dependent upon the volume of new business, whilst the expenses of the business reflect the running cost of the distribution network – The St. James's Place Partnership.

As the income is variable and a proportion of the costs are fixed in nature, the distribution business will make a profit in times of strong new business or a loss in times of weaker new business. In other words there is an element of operational gearing within this business.

This can be seen in the results over the two reporting periods with the very strong new business in the first six months of the 2010 providing for a profit of £5.9 million compared with a loss of £5.0 million for the first half of 2009.

Other

Other operations contributed a loss of £5.5 million (2009: loss of £5.9 million). Included within this figure is the cost of expensing share options of £4.9 million for the current period (2009: £5.2 million). The balance is made up of a number of small positive and negative items.

Profit before Shareholder tax

The total profit before shareholder tax for the period was £36.3 million compared with £20.0 million.

Policyholder tax

The policyholder tax charge reflects the movement in the tax provision of the policyholder funds. In the first six months of 2010 the policyholder funds benefitted from a tax credit of £8.1 million compared with a tax charge of £13.0 million for the first six months of 2009.

The movement is predominantly driven by the change in deferred tax on unrealised capital gains on equity holdings in the unit linked funds and is closely correlated with movements in asset values within these funds.

Taking account of the policyholder tax the pre-tax profit for the first six months of the year was £28.2 million compared with a pre-tax profit of £33.0 million for the same period of 2009.

Analysis of constituent parts of the IFRS post tax profit

The tables and commentary below, based on the cash result analysis set out on page 17, provides an analysis of the constituent parts of the IFRS post-tax profit for the reporting periods.

6 Months Ended 30 June 2010

	Note	**In Force**	**New Business**	**Total**
		£'Million	£'Million	£'Million
Cash result	1	52.6	(33.9)	18.7
DIR amortisation	2	34.7	2.2	36.9
DAC amortisation	3	(26.9)	(2.2)	(29.1)
PVIF amortisation	4	(1.4)	-	(1.4)
DIR on new business	2	-	(57.1)	(57.1)
DAC on new business	3	-	66.3	66.3
Share options	5	(4.9)	-	(4.9)
IFRS deferred tax impacts	6	0.2	-	0.2
Other IFRS	7	(1.2)	-	(1.2)
IFRS profit (post-tax)		**53.1**	**(24.7)**	**28.4**
Shareholder tax (*Effective rate 21.8%)*	8	14.8	(6.9)	7.9
IFRS operating profit		**67.9**	**(31.6)**	**36.3**

6 Months Ended 30 June 2009

	Note	In Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	35.9	(35.3)	0.6
DIR amortisation	2	30.6	0.9	31.5
DAC amortisation	3	(22.9)	(0.9)	(23.8)
PVIF amortisation	4	(1.3)	-	(1.3)
DIR on new business	2	-	(36.3)	(36.3)
DAC on new business	3	-	46.0	46.0
Share options	5	(5.2)	-	(5.2)
IFRS deferred tax impacts	6	1.9	-	1.9
Other IFRS	7	2.6	-	2.6
IFRS profit (post-tax)		**41.6**	**(25.6)**	**16.0**
Shareholder tax (*Effective rate 20%)*	8	10.4	(6.4)	4.0
IFRS operating profit		**52.0**	**(32.0)**	**20.0**

12 Months Ended
31 December 2009

	Note	In Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	88.8	(65.3)	23.5
DIR amortisation	2	64.4	4.4	68.8
DAC amortisation	3	(49.0)	(4.4)	(53.4)
PVIF amortisation	4	(2.6)	-	(2.6)
DIR on new business	2	-	(86.3)	(86.3)
DAC on new business	3	-	105.1	105.1
Share options	5	(8.6)	-	(8.6)
IFRS deferred tax impacts	6	(4.2)	-	(4.2)
Other IFRS	7	(2.5)	-	(2.5)
IFRS profit (post-tax)		**86.3**	**(46.5)**	**39.8**
Shareholder tax (*Effective rate 20.2%)*	8	21.9	(11.8)	10.1
IFRS operating profit		**108.2**	**(58.3)**	**49.9**

The post-tax IFRS profit arising from the in-force business in the six months increased by 29% from £41.6 million to £53.6 million, principally reflecting the higher stock markets offset by lower investment income.

The loss associated with acquiring new business during the six months was £25.2 million (2009: £25.6 million) and should be viewed as an investment for future profits. These profits will arise as net annual management fees less the future amortisation of the associated deferred acquisition cost ("DAC") and deferred income ("DIR") in subsequent years.

Notes:

1. These figures are explained in the analysis of the post-tax cash result in Section 3.

2. DIR: IFRS requires any initial profit which arises on new business (either through an initial charge or surrender penalty) to be deferred at the outset and then amortised over the life of the associated product or the surrender penalty period. This required treatment gives rise to two adjustments to arrive at the IFRS result.

(a) The amortisation of the opening deferred income which increases profit for the period and was £34.7 million (2009: £30.6 million) in the current six months. The release in a particular year will depend upon the value of DIR at the start of the year and the remaining life of the policies to which the DIR relates or the remaining surrender penalty period. The expected release for the full year is £71.0 million.

(b) The deferral of the initial profit associated with new business sales in the period. In the first six months of 2010 the deferred profit reduced the IFRS result by £57.1 million (2009: £36.3 million). The deferral of profit in any particular year will be dependent upon the level of new business.

3. DAC: Specific new business acquisition expenses are required to be deferred in the year they arise and then amortised in future years over the life of the policies to which the costs relate. This treatment of these acquisition expenses gives rise to two adjustments to arrive at the IFRS result.

(a) The amortisation of the opening DAC, which reduces profit for the period and was £26.9 million (2009: £22.9 million) in the current six months. The charge in a particular period will depend upon the value of the DAC at the start of the year and the remaining life of the policies to which the DAC relates. The expected amortisation charge for the full year is £55.2 million.

(b) The deferral of the specific acquisition costs incurred in the current period. In the first six months of 2010 this deferral increased IFRS profits by £66.3 million (2009: £46.0 million). The deferral of expenses in any particular year will be dependent upon the level of the acquisition costs which themselves will be determined by the level of new business.

4. The IFRS balance sheet includes an asset representing purchased value of in-force ("PVIF"). This asset is amortised over the remaining life of the policies associated with this asset. The amortisation charge for the first six months of 2010 was £1.4 million (2009: £1.3 million). The charge for the full year is expected to be £2.8 million.

5. Share options: this figure is the notional cost that is associated with the various share option schemes.

6. IFRS deferred tax: under IFRS a deferred tax asset is established for future benefits, not recognised in the cash result, that are expected to be derived.

7. Other IFRS: this reflects a number of other adjustments from the cash result. There will be a small impact, either positive or negative, in future years.

8. The effective shareholder tax rate: this reflects the weighting of IFRS profit between UK Life insurance business (with a marginal tax rate of 8%), International business (taxed at 12.5%) and Pensions and Unit Trust business (taxed at 28%).

Analysis of IFRS Assets and Net Assets per Share

The table below provides a summarised breakdown of the IFRS position at the reporting dates:

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	Year Ended 31 December 2009
	£' Million	£' Million	£' Million
Purchased value of in-force*	37.6	40.3	39.0
Deferred acquisition costs*	513.0	439.9	473.7
Deferred income*	(349.7)	(310.2)	(327.3)
Other IFRS net assets	81.9	98.4	91.1
Solvency net assets	281.2	248.6	263.3
Total IFRS net assets	564.0	517.0	539.8

* net of deferred tax

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	Year Ended 31 December 2009
	Pence	Pence	Pence
Net asset value per share	116.3	107.8	112.0

SECTION 2: EUROPEAN EMBEDDED VALUE (EEV)

Life business differs from most other businesses, in that the expected shareholder cash flow from a sale of a product emerges over a long period in the future.

We therefore present our results not only on an IFRS basis, but also on an EEV basis, which brings into account the net present value of the expected future cash flows.

We continue to believe that the EEV basis provides a more meaningful measure of the Group's operating performance.

EEV Result

The table below summarises the pre-tax profit of the combined business and the detailed result is shown on pages 26 to 32.

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	Year Ended 31 December 2009
	£' Million	£' Million	£' Million
Life business	117.7	83.8	175.1
Unit trust business	44.0	28.1	74.3
Distribution business	5.9	(5.0)	(7.5)
Other	(5.5)	(5.9)	(13.0)
Operating profit	**162.1**	**101.0**	**228.9**
Investment return	(84.5)	(63.2)	148.2
Economic assumption changes	9.4	(10.4)	(13.9)
Total pre-tax result	87.0	27.4	363.2
Taxation	(23.9)	(10.8)	(98.1)
Post tax result	63.1	16.6	265.1

The operating profit at £162.1 million was some 60% higher than £101.0 million profit for the same period last year. The movement in the profit for each business is noted in the commentary below.

Life business

The life business operating profit has increased from £83.8 million to £117.7 million and a full analysis of the result is shown below:

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 month ended 31 December 2009
	£' Million	£' Million	£' Million
New business contribution	70.1	43.6	106.3
Profit from existing business			
- unwind of discount rate	37.2	30.7	63.7
- experience variance	8.8	5.8	2.6
- operating assumption change	-	1.6	(2.3)
Investment income	1.6	2.1	4.8
Life operating profit before tax	117.7	83.8	175.1

The **new business contribution** for the six months at £70.1 million (2009: £43.6 million) was over 60% higher than the prior year reflecting the higher volume of manufactured new business, which was up 40% on an APE basis, and business mix together with lower growth in associated expenses.

The **unwind of the discount rate** for the six months was £37.2 million (2009: £30.7 million). This increase principally reflects the higher opening value of in-force at the start of 2010 compared with the prior year.

There was a positive **experience variance** in the six months of £8.8 million compared with £5.8 million for the same period last year. A key contributor to the positive variance in both years was continuing strong retention of funds under management.

Investment income for the year at £1.6 million (2009: £2.1 million) reflects the interest rate we earn on our free assets which reduced in line with the reduction in UK bank base rate.

Unit Trust business

The unit trust operating profit was £44.0 million (2009: £28.1 million) and a full analysis of the result is shown below:

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 month ended 31 December 2009
	£' Million	£' Million	£' Million
New business contribution	30.8	17.7	49.1
Profit from existing business			
- unwind of discount rate	9.6	6.9	14.6
- experience variance	3.3	3.2	9.0
- operating assumption change	-	-	0.8
Investment income	0.3	0.3	0.8
Unit trust operating profit	44.0	28.1	74.3

New business contribution at £30.8 million (2009: £17.7 million) was 74% higher than the prior year as a result of the strong new business in the period, which was up 70% on an APE basis, and lower growth in associated expenses.

The **unwind of the discount rate** at £9.6 million (2009: £6.9 million) reflects the respective value of in-force at the start of each of the reporting periods.

There was a positive experience of £3.3 million (2009: positive £3.2 million) which is accounted for by a number of small positive items.

Distribution and Other operations

The result from distribution and other operations have previously been commented on in the IFRS section.

Investment return

Over the six month period the world stock markets have fallen with, for example, the MSCI £ world index down some 2.7%.

As a consequence of the lower stock markets, the actual investment return for the period was around 5% below the assumed rate of growth of 2%. This lower than assumed investment return has resulted in a negative investment variance of £84.5 million (2009: negative variance of £63.2 million).

As shareholders will recall the investment variance reflects the impact of the stock market at the end of a period on the expected future cash flows. When the stock markets recover, this negative investment variance will reverse, and with the MSCI £ world index having recovered by some 4.3% since 30 June, a proportion of the negative variance will already have reversed.

Economic Assumption Changes

The £9.4 million economic basis change in the six month period principally reflects a reduction in the market expectation of both future inflation and risk free rates.

We set the risk free rate based on the 10 year gilt yield index which has fallen 0.7% over the six months. Our assumed future inflation rate is based upon the implied inflation in 10 year indexed linked gilts which has reduced from 3.2% to 2.9%. Both these changes increase the embedded value.

The total pre-tax result for the six months was a profit of £87.0 million compared with a profit for the corresponding period last year of £27.4 million.

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 $1/10^{th}$ single premiums. PVNBP is calculated as single premiums plus the present value of expected premiums from regular premium business, allowing for lapses and other EEV assumptions.

Noted in the table below is the new business margin calculated both as a % of APE and PVNBP.

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
Life business			
New business contribution (£' m)	70.1	43.6	106.3
APE (£'m)	223.3	162.2	351.6
Margin (%)	31.4	26.9	30.2
PVNBP (£'m)	1,795.7	1,238.2	2,764.1
Margin (%)	3.9	3.5	3.8
Unit trust business			
New business contribution (£' m)	30.8	17.7	49.1
APE (£'m)	69.3	40.8	89.2
New business margin (%)	44.5	43.3	55.0
PVNBP (£'m)	692.7	408.3	892.2
Margin (%)	4.5	4.3	5.5
Total business			
New business contribution (£' m)	100.9	61.3	155.4
APE (£'m)	292.6	203.0	440.8
New business margin (%)	34.5	30.2	35.3
PVNBP (£'m)	2,488.4	1,646.5	3,656.3
Margin (%)	4.1	3.7	4.3

The PVNBP calculation only includes our manufactured business, as we do not apply these principles to the non-manufactured business.

The life new business margin on a PVNBP basis, which excludes the non-manufactured business, increased from 3.5% to 3.9%, whilst on an APE basis, which includes the non-manufactured business, the margin increased from 26.9% to 31.4%.

The unit trust new business margin increased to 4.5% (2009: 4.3%) on a PVNBP basis and to 44.5% (2009: 43.3%) on an APE basis.

These higher new business margins reflect the higher new business, limiting the growth in expenses and an improved business mix.

Analysis of the European Embedded Value and Net Asset per Share

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

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	Year Ended 31 December 2009
	£' Million	£' Million	£' Million
Value of in-force			
- Life	919.1	718.3	886.6
- Unit trust	230.0	157.0	221.5
Solvency net assets	281.2	248.6	263.3
Total embedded value	1,430.3	1,123.9	1,371.4

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	Year Ended 31 December 2009
	Pence	Pence	Pence
Net asset value per share	294.9	234.3	284.5

SECTION 3: CASH RESULT AND CAPITAL

Noted below are a number of issues regarding the post-tax cash result and the capital position.

Cash result

This section provides the additional disclosure on the underlying post-tax cash result of the Group.

The cash result is the combination of the cash profit arising from the business in force at the start less the investment to acquire the business in the current period. In effect a proportion of the cash arising from the in-force business is re-invested for future cash returns.

During the six months the net cash result was £18.7 million compared with £0.6 million in the first six months of 2009.

The tables and commentary below provide an indicative analysis of the cash result.

6 Months Ended 30 June 2010	**Note**	**Arising from business in-force at 1 January 2010**	**Investment in new business during period**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	79.2	4.5	83.7
Unwind of surrender penalties	2	(26.3)	(1.2)	(27.5)
Net income from funds under management		52.9	3.3	56.2
Margin arising from new business	3	-	(5.1)	(5.1)
Establishment expenses	4	(3.6)	(32.1)	(35.7)
Shareholder interest (regulated companies)	5	0.8	-	0.8
Shareholder interest (non-regulated companies)	5	0.7	-	0.7
Development costs	6	(2.0)	-	(2.0)
Miscellaneous	7	3.8	-	3.8
Post-tax cash result		52.6	(33.9)	18.7

6 Months Ended 30 June 2009	**Note**	**Arising from business in-force at 1 January 2009**	**Investment in new business during period**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	53.6	2.8	56.4
Unwind of surrender penalties	2	(19.6)	(0.8)	(20.4)
Net income from funds under management		34.0	2.0	36.0
Margin arising from new business	3	-	(5.5)	(5.5)
Establishment expenses	4	(3.5)	(31.8)	(35.3)
Shareholder interest (regulated companies)	5	1.1	-	1.1
Shareholder interest (non-regulated companies)	5	0.9	-	0.9
Miscellaneous	7	3.4	-	3.4
Post-tax cash result		35.9	(35.3)	0.6

Year Ended 31 December 2009	**Note**	**Arising from business in-force at 1 January 2009**	**Investment in new business during year**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	119.9	13.2	133.1
Unwind of surrender penalties	2	(40.8)	(4.4)	(45.2)
Net income from funds under management		79.1	8.8	87.9
Margin arising from new business	3	-	(12.0)	(12.0)
Establishment expenses	4	(6.9)	(62.1)	(69.0)
Shareholder interest (regulated companies)	5	3.0	-	3.0
Shareholder interest (non- regulated companies)	5	1.7	-	1.7
Miscellaneous	7	11.9	-	11.9
Post-tax cash result		88.8	(65.3)	23.5

The commentary below provides an explanation of the movement for the six months.

Notes

1. The net annual management fee: this is the manufacturing margin the Group retains from the funds under management after payment of the associated costs (e.g. investment advisory fees and Partner remuneration). Broadly speaking the Group retains around 1% pre-tax (0.7% post-tax) of funds under management.

   The level of net annual management fee was some 48% higher than the same period of 2009. This significant increase is due to the higher opening funds under management reflecting not only the higher stock markets but also the new funds under management added last year.

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 cost which offsets the annual management fee above.

   Similar to the net annual management fee, the unwind of surrender penalties have increased due to the higher stock markets and the new funds under management added during 2009, however, the increase has been partly offset by the fact that the funds under management added six years ago have completed the surrender penalty period.

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

   The negative margin on new business represents the upfront net cash outflow from a certain category of pension new business where we are unable to apply surrender penalties.

4. Establishment expenses: these are the post-tax expenses of running the Group's infrastructure as shown in the table on page 22 but are shown post-tax rather than pre-tax numbers.

   The establishment expenses were at a similar level to the first six months of 2009.

5. Shareholder interest arising from regulated and non-regulated business: this is the assumed income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.

   The interest received is at a similar level to the prior year and reflects the low prevailing interest rates we obtain on the free assets.

6. Development costs represent the expenditure associated with a significant development in our investment proposition together with the costs associated with advancing the Partnership towards full diploma status over the next couple of years.

7. 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.

   Miscellaneous income for the period was £3.8 million compared with £3.4 million for the first six months of 2009.

Return on in-force business

As shown in the tables above the return on the in-force business is impacted by the level of the annual management fees, the unwind of the surrender penalties, interest on surplus capital, expenses and miscellaneous.

The vast majority of the return relates to the net income from funds under management (annual management fees less the unwind of the surrender penalty). The unwind of the surrender penalty applies to approximately half the total single premium new business in the first six years of the product term. During this period we are not receiving any income from the related funds under management. Consequently the return on the new funds added in recent years is not yet fully contributing to the cash return but will be expected to do so in future years.

The Board therefore expect the cash earnings from the in-force business to increase as the business matures.

Return on investment in new business

As noted in the previous table £33.9 million (2009: £35.3 million) of the cash arising from the in-force business has been re-invested in acquiring the new business during the six month period.

This investment in the new business will generate cash earnings in the future that will significantly exceed the cost of investment and therefore provide positive returns for shareholders. The table below provides details of the new business added during the reporting periods and different measures of valuing the investment:

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
Post tax investment in new business (£'Million)	(33.9)	(35.3)	(65.3)
Post-tax present value of expected future cash returns (£'Million)	108.6	80.6	180.3
Post-tax present value of expected profit from investment (£'Million)	74.7	45.3	115.0
Gross inflow of funds under management (£'Billion)	2.3	1.5	3.0
Investment as % of gross inflow*	1.5%	2.4%	2.2%
New business margin (% of APE)	34.5%	30.2%	35.3%
Cash payback period (years)	5	6	6
Internal rate of return (net of tax)	20.5%	14.6%	16.4%

* The investment as a % of net inflow of funds under management was 2.3% compared with 3.5% for the comparative period and 2.8% for the complete year.

Capital Position

The capital position of the Group, assessing net assets on a regulatory basis ("solvency net assets") and required capital on an entity basis, together with a categorisation of the net assets, is shown in the table below.

It will be noted that the regulated entities continue to remain well capitalised over their solvency requirement and that the assets are prudently managed – being predominantly in cash, AAA money market funds and government backed securities.

Comparison with previous valuations would show that the Group solvency position has remained stable despite the recent market uncertainty, reflecting the low risk appetite for market, credit and liquidity risks in relation to solvency.

	Life	Other Regulated	Other	Total
	£'Million	£'Million	£'Million	£'Million
Solvency position				
Solvency net assets	126.5	26.0	128.7	281.2
Solvency requirement	40.3	12.5		
Solvency ratio	314%	208%		
Analysis of solvency net assets				
UK government gilts	51.7	-	-	51.7
Other government backed debt	3.1	-	-	3.1
AAA rated money market funds	109.4	34.4	32.8	176.6
Bank balances	35.8	6.9	13.5	56.2
Fixed assets	-	-	8.8	8.8
Actuarial reserves	(30.6)	-	-	(30.6)
Other assets and liabilities	(42.9)	(15.3)	73.6	15.4
Solvency net assets	126.5	26.0	128.7	281.2
Reconciliation to IFRS net assets				
Solvency net assets	126.5	26.0	128.7	281.2
- Purchased VIF	37.6	-	-	37.6
- DAC and DIR	176.9	(13.6)	-	163.3
- Other	81.9	-	-	81.9
Total IFRS net assets	422.9	12.4	128.7	564.0

Solvency II

We continue to prepare for the adoption of the new EU Solvency II requirements at the end of 2012.

Whilst the detailed rules remain subject to change we do not expect our existing solvency requirements to be materially adversely impacted by these new requirements.

Share options maturity

In addition to the strong solvency, the Company has share options outstanding under the various share option schemes at 30 June 2010 which if exercised, will provide a significant source, up to £64.9 million (2009: £75.0 million), of future capital for the Company. It must be recognised that at present a number of these options are 'underwater' and would not therefore be exercised.

Earliest date of exercise	**Average exercise price**	**Number of Share options outstanding**	**Potential Proceeds**
	£'s	Million	£' Million
Prior to 1 July 2010	2.32	26.4	61.3
Jul – Dec 2010	2.61	0.2	0.4
Jan – Jun 2011	2.13	0.1	0.2
July – Dec 2011	-	-	-
Jan – Jun 2012	1.50	1.5	2.3
July – Dec 2012	1.50	-	-
Jan – Jun 2013	2.04	0.3	0.7
		28.5	64.9

Of those options with an earliest date of exercise prior to 1 July 2010, 1.6 million options require further performance conditions to be met before vesting unconditionally.

SECTION 4: OTHER MATTERS

The final section of my commentary covers a number of additional areas that will be of interest to shareholders.

Expenses

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

	Note	**6 Months Ended 30 June 2010 £' Million**	6 Months Ended 30 June 2009 £' Million	12 Months Ended 31 December 2009 £' Million
Paid from policy margins				
Partner remuneration	1	116.1	80.3	190.0
Investment expenses	1	44.3	33.3	75.4
Third party administration	1	16.0	14.0	30.0
		176.4	127.6	295.4
Direct expenses				
Other new business related costs	2	23.2	18.3	41.9
Establishment costs	3	48.2	47.7	93.3
Development costs	4	2.9	-	-
Contribution from third party product sales	5	(6.5)	(5.5)	(13.3)
		67.8	60.5	121.9
		244.2	188.1	417.3

In the full year 2009 Financial Commentary I said we expected establishment costs for 2010 to be at a similar level to 2009 and I am pleased to report that at the half year this was the case. Whilst we will continue to control expenses, we are experiencing some pressure on costs due to the high levels of new business and consequently we now expect the full year establishment expenses to be marginally higher than 2009.

Notes

1. These costs are met from corresponding policy margins and any variation in them from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Company.

2. 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.

3. Establishment costs are the running costs of the Group's infrastructure and are relatively fixed in nature in the short term although subject to inflationary increases. These costs will increase as the infrastructure expands to manage the higher number of existing clients and the growth in the Partnership.

4. Development costs represent the expenditure associated with a significant development in our investment proposition together with the costs associated with advancing the Partnership towards full diploma status over the next couple of years.

5. Contribution from third party product sales reflects the net income received from wealth management sales of £2.0 million (2009: £1.7 million), sales of stakeholder products of £0.7 million (2009: £0.5 million) and sales through the Protection Panel of £3.8 million (2009: £3.3 million).

Movement in funds under management

The table below shows the movement in the funds under management of the Group during the reporting period.

	***6 Months Ended 30 June 2010 £' Billion**	*6 Months Ended 30 June 2009 £' Billion	12 Months Ended 31 December 2009 £'Billion
Opening funds under management	21.4	16.3	16.3
New money invested	2.3	1.5	3.5
Investment return	(0.5)	(0.4)	2.8
	23.2	17.4	22.6
Regular withdrawals / maturities	(0.2)	(0.2)	(0.4)
Surrenders / part surrenders	(0.6)	(0.3)	(0.8)
Closing funds under management	22.4	16.9	21.4
Implied surrender rate as % of average funds under management	5.5%	4.1%	4.0%
Net inflow of funds	1.5	1.0	2.3
Net inflow as % of opening funds under management	7.0%	6.1%	14.1%

* Annualised figures

Shareholders will be pleased to note that the strong retention of funds under management has continued into 2010 which, together with the level of new money invested, provides for net fund inflow of £1.5 billion, higher than the £1.0 billion for the same period last year. 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.

Future tax changes

The new coalition Government's Budget on 22 June set out plans to reduce the rate of corporation tax from 28% to 27% for the 2011/2012 tax year. This reduction was 'substantially enacted' on 20 July and will have a positive impact on the IFRS result of around £3 – 5 million.

The Government has also stated its intention to reduce corporation tax by a further 1% per year in each of the following three years. As the EEV result is based on best estimate assumptions we will reflect these proposals in the EEV result in the second half of the year, which will increase the embedded value by around £35 – 40 million.

The budget also announced changes to future Value Added Taxation, National Insurance and Insurance Premium Tax. We estimate that these changes will increase our establishment costs by around £1.0 million per annum.

Related Party Transactions

The relate party transactions during the first six month period are set out in Note 14 to the condensed half year statements.

After reading my statement, I hope shareholders will agree with my opening remark that the financial performance was very strong in the first half of 2010.

Andrew Croft
27 July 2010

INTERIM MANAGEMENT REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

A comprehensive review of the principal risks and uncertainties facing the business, and the Group's approach to managing these risks and uncertainties are outlined on pages 22 to 27 of the 2009 Annual Report under the Risk and Risk Management section. These risks and uncertainties have not changed materially since the 2009 Annual Report. A summary of those key risks and uncertainties which could impact the Group for the remainder of the current financial year are outlined below.

Risk/uncertainty	**Description**
Distribution capability	The Group's distribution strength is eroded due to an inability to recruit and retain Partners of the appropriate quality
Investment management approach	Our approach to investment management fails to deliver expected returns to clients of the Group
Outsourcing	The Group's dependence on outsourcing comes under threat should any of its key investment management or administration business partners decide to exit the market, significantly revise their strategy or fail
Competitor activity	A major and successful new entrant to the adviser-based wealth management market has an impact on the success of SJP's business
Economic environment	A major and prolonged economic downturn and/or stock market crash leads to a failure to meet targets and to a significant underperformance of our business plan
Shareholder funds	The value of shareholder funds decreases, thereby reducing the capital available to support the business
Advice	Advice given by an individual Partner or authorised by the Group is deemed unsuitable leading to redress, costs and potential reputational damage
Retail distribution review	Changes arising from the Retail Distribution Review, particularly in relation to professionalism and implications for advised sales
Regulatory and legislative environment	Changes in the wider regulatory, legislative or tax environment have an adverse impact on the Group's business and that the Group could face regulatory censure should it fail to comply with regulation

EUROPEAN EMBEDDED VALUE (EEV) 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 STATEMENT OF INCOME

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£'Million	£' Million	£' Million
Life business	117.7	83.8	175.1
Unit trust business	44.0	28.1	74.3
Distribution	5.9	(5.0)	(7.5)
Other	(5.5)	(5.9)	(13.0)
Operating profit	162.1	101.0	228.9
Investment return variances	(84.5)	(63.2)	148.2
Economic assumption changes	9.4	(10.4)	(13.9)
EEV profit on ordinary activities before tax	87.0	27.4	363.2
Tax			
Life business	(16.3)	(6.8)	(67.5)
Unit trust business	(6.8)	(4.1)	(32.7)
Distribution	(1.7)	1.3	2.0
Other	0.9	(1.2)	0.1
	(23.9)	(10.8)	(98.1)
EEV profit on ordinary activities after tax	63.1	16.6	265.1
Dividends	12.8	12.2	21.0
	Pence	Pence	Pence
Basic earnings per share	13.1	3.5	55.5
Diluted earnings per share	12.9	3.5	54.8

EUROPEAN EMBEDDED VALUE (EEV) BASIS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£' Million	£' Million	£' Million
Opening shareholders' equity on an EEV basis	1,371.4	1,114.3	1,114.3
Post-tax profit for the period	63.1	16.6	265.1
Dividends	(12.8)	(12.2)	(21.0)
Issue of share capital	6.1	0.3	4.6
Consideration paid for own shares	(2.4)	(0.3)	(0.3)
P&L reserve credit in respect of share based payment charge	4.9	5.2	8.6
P&L reserve credit in respect of proceeds from exercise of share options of shares held in trust	-	-	0.1
Closing shareholders' equity on an EEV basis	1,430.3	1,123.9	1,371.4

EUROPEAN EMBEDDED VALUE (EEV) BASIS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010	30 June 2009	31 December 2009
	£' Million	£' Million	£' Million
Assets			
Intangible assets			
- Deferred acquisition costs	696.5	595.8	642.4
- Value of long-term business in-force			
- long-term insurance	673.8	490.2	649.1
- unit trusts	230.0	157.0	221.5
	1,600.3	1,243.0	1,513.0
Property and equipment	8.8	10.1	10.4
Deferred tax assets	215.3	147.7	187.0
Investment property	397.0	350.8	401.7
Investments	16,862.9	12,265.2	16,384.2
Reinsurance assets	39.0	28.8	36.8
Insurance and investment contract receivables	20.7	22.2	17.4
Income tax assets	16.2	10.5	18.6
Other receivables	419.4	266.6	235.0
Cash and cash equivalents	2,089.4	1,882.4	1,711.1
Total assets	21,669.0	16,227.3	20,515.2
Liabilities			
Insurance contract liability provisions	381.1	320.2	388.1
Other provisions	5.6	5.4	4.8
Financial liabilities	17,634.0	13,426.8	16,997.0
Deferred tax liabilities	187.9	160.9	172.7
Insurance and investment contract payables	43.8	27.0	21.5
Deferred income	429.8	379.5	401.1
Income tax liabilities	20.7	19.3	14.5
Other payables	311.1	137.6	142.4
Net asset value attributable to unit holders	1,224.7	626.7	1,001.7
Total liabilities	20,238.7	15,103.4	19,143.8
Net assets	1,430.3	1,123.9	1,371.4
Shareholders' equity			
Share capital	72.8	72.0	72.3
Share premium	96.1	86.5	90.5
Other reserves	1,261.4	965.4	1,208.6
Total shareholders' equity	1,430.3	1,123.9	1,371.4
	Pence	Pence	Pence
Net assets per share	294.9	234.3	284.5

NOTES TO THE EEV BASIS RESULTS

I. BASIS OF PREPARATION

The interim supplementary information on pages 26 to 32 shows the Group's results for the six months ended 30 June 2010 as measured on a European Embedded Value (EEV) basis. For interim reporting purposes the disclosure has been reduced 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"), with the exception of:

- **Corporation Tax Changes**
  The Emergency Budget on 22 June 2010 set out plans to reduce the rate of corporation tax over the next four years. This valuation has been prepared on the basis of the continuation of current rates of taxation throughout.

- **New Business**
  The new business contribution arising from reported new business premiums has been calculated using the same assumptions as used in the EEV at the end of the financial year. The value of contractual incremental premiums to existing business is treated as new business in the year of the increment, rather than at the outset of the policy. This approach better reflects the way the Group manages its business.

The treatment of all other transactions and balances is unchanged from the primary financial statements on an IFRS basis.

Under the EEV Methodology, 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 in respect of the covered business and the present value of the projected profit stream.

II. METHODOLOGY AND ASSUMPTIONS

The methodology used to derive the European Embedded Values at June 2010 is unchanged from that used at the end of 2009 (and also from that used at June 2009) and is set out in detail on pages 108 and 109 of the 2009 Report and Accounts.

Apart from the assumptions set out below, there have been no changes to assumptions from those used at the end of 2009 and set out in detail on pages 109 and 110 of the 2009 Report and Accounts.

Economic Assumptions

The principal economic assumptions used within the cash flows at 30 June 2010 are set out below.

	30 June 2010	30 June 2009	31 December 2009
Risk free rate	3.5%	3.8%	4.2%
Inflation rate	2.9%	2.7%	3.2%
Risk discount rate (net of tax)	6.6%	6.9%	7.3%
Future investment returns:			
- Gilts	3.5%	3.8%	4.2%
- Equities	6.5%	6.8%	7.2%
- Unit-linked funds:			
- Capital growth	2.7%	2.4%	3.4%
- Dividend income	3.1%	3.8%	3.1%
- Total	5.8%	6.2%	6.5%
Expense inflation	3.7%	3.5%	3.9%

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

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

III. COMPONENTS OF LIFE AND UNIT TRUST EEV PROFIT

Life business	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£'Million	£'Million	£'Million
New business contribution	70.1	43.6	106.3
Profit from existing business			
- Unwind of discount rate	37.2	30.7	63.7
- Experience variances	8.8	5.8	2.6
- Operating assumption changes	-	1.6	(2.3)
Investment income	1.6	2.1	4.8
Life operating profit before tax	117.7	83.8	175.1
Investment return variances	(65.5)	(51.5)	104.0
Economic assumption changes	10.3	(8.7)	(12.1)
Life profit before tax	62.5	23.6	267.0
Attributed tax	(16.3)	(6.8)	(67.5)
Life profit after tax	46.2	16.8	199.5

New business contribution after tax is £52.5 million (30 June 2009: £32.6 million).

Unit trust business	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£' Million	£' Million	£' Million
New business contribution	30.8	17.7	49.1
Profit from existing business			
- Unwind of discount rate	9.6	6.9	14.6
- Experience variances	3.3	3.2	9.0
- Operating assumption changes	-	-	0.8
Investment income	0.3	0.3	0.8
Unit trust operating profit before tax	44.0	28.1	74.3
Investment return variances	(19.0)	(11.7)	44.2
Economic assumption changes	(0.9)	(1.7)	(1.8)
Unit trust profit before tax	24.1	14.7	116.7
Attributed tax	(6.8)	(4.1)	(32.7)
Unit trust profit after tax	17.3	10.6	84.0

New business contribution after tax is £22.2 million (30 June 2009: £12.7 million).

NOTES TO THE EEV BASIS RESULTS (continued)

Combined life and unit trust business	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£' Million	£' Million	£' Million
New business contribution	100.9	61.3	155.4
Profit from existing business			
- Unwind of discount rate	46.8	37.6	78.3
- Experience variances	12.1	9.0	11.6
- Operating assumption changes	-	1.6	(1.5)
Investment income	1.9	2.4	5.6
Operating profit before tax	161.7	111.9	249.4
Investment return variances	(84.5)	(63.2)	148.2
Economic assumption changes	9.4	(10.4)	(13.9)
Profit before tax	86.6	38.3	383.7
Attributed tax	(23.1)	(10.9)	(100.2)
Profit after tax	63.5	27.4	283.5

New business contribution after tax is £74.7 million (30 June 2009: £45.3 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.

		Change in new business contribution		Change in European Embedded Value
	Note	Pre-tax	Post-tax	Post-tax
		£' Million	£' Million	£' Million
Value at 30 June 2010		100.9	74.7	1,430.3
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	-	-	5.9
10% reduction in withdrawal rates		10.6	7.9	68.8
10% reduction in expenses		2.3	1.7	19.7
10% reduction in market value of equity assets	2	-	-	(129.0)
5% reduction in mortality and morbidity	3	-	-	0.5
100bp increase in equity expected returns	4	-	-	-
100bp increase in assumed inflation	5	(1.7)	(1.3)	(9.9)

NOTES TO THE EEV BASIS RESULTS (continued)

Note 1: This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
Note 2: For the purposes of this required sensitivity all unit linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.
Note 3: Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.
Note 4: 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.
Note 5: Assumed inflation is set by reference to 10 year index linked gilt yields.

	Change in new business contribution		Change in European Embedded Value
	Pre-tax	Post-tax	Post-tax
	£'Million	£'Million	£'Million
100bp reduction in risk discount rate	15.6	11.5	97.5

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.

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

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£'Million	£'Million	£'Million
IFRS profit before tax	28.2	33.0	28.5
Movement in life value of in-force	43.1	(13.6)	234.8
Movement in unit trust value of in-force	15.7	8.0	99.9
Total EEV profit before tax	87.0	27.4	363.2

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
IFRS net assets	564.0	517.0	539.8
Less: acquired value of in-force	(52.1)	(55.9)	(54.1)
Add: deferred tax on acquired value of in-force	14.6	15.6	15.1
Add: life value of in-force	673.8	490.2	649.1
Add: unit trust value of in-force	230.0	157.0	221.5
EEV net assets	1,430.3	1,123.9	1,371.4

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009*	12 Months Ended 31 December 2009*
		£'Million	£'Million	£'Million
Insurance premium income		36.9	40.4	85.5
Less premiums ceded to reinsurers		(13.7)	(14.7)	(30.5)
Net insurance premium income		23.2	25.7	55.0
Fee and commission income		209.9	166.4	369.1
Other investment return		(269.2)	(226.7)	2,706.1
Other operating income		0.6	0.1	0.9
Net income	3	(35.5)	(34.5)	3,131.1
Policy claims and benefits				
- Gross amount		(20.7)	(33.2)	(55.4)
- Reinsurers' share		8.3	11.9	22.1
Net policyholder claims and benefits incurred		(12.4)	(21.3)	(33.3)
Change in insurance contract liabilities				
- Gross amount		7.0	18.1	(49.7)
- Reinsurers' share		2.2	(3.4)	4.6
Net change in insurance contract liabilities		9.2	14.7	(45.1)
Investment contract benefits		279.4	255.2	(2,632.8)
Fees, commission and other acquisition costs		(155.6)	(124.4)	(273.3)
Administration expenses		(54.9)	(54.9)	(114.5)
Other operating expenses		(2.0)	(1.8)	(3.6)
		(212.5)	(181.1)	(391.4)
Profit before tax	3	28.2	33.0	28.5
Tax attributable to policyholders' returns		8.1	(13.0)	21.4
Profit before tax attributable to shareholders' returns		36.3	20.0	49.9
Total tax credit/(expense)	4	0.2	(17.0)	11.3
Less: tax attributable to policyholders' returns	4	(8.1)	13.0	(21.4)
Tax attributable to shareholders' returns		(7.9)	(4.0)	(10.1)
Profit for the period	3	28.4	16.0	39.8
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the period		28.4	16.0	39.8
		Pence	Pence	Pence
Basic earnings per share	5	5.9	3.4	8.3
Diluted earnings per share	5	5.8	3.3	8.2

*Re-presented (see note 1)

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Miscellaneous Reserves	Total
	£'Million	£' Million	£' Million	£' Million	£' Million	£' Million
At 31 December 2008	71.9	86.3	(13.0)	360.5	2.3	508.0
Total comprehensive income for the period				16.0		16.0
- Dividends				(12.2)		(12.2)
- Issue of share capital						
- Scrip dividend		0.1				0.1
- Exercise of options	0.1	0.1				0.2
Consideration paid for own shares			(0.3)			(0.3)
Own shares vesting charge			3.0	(3.0)		-
P&L reserve credit in respect of share option charges				5.2		5.2
At 30 June 2009	72.0	86.5	(10.3)	366.5	2.3	517.0
At 31 December 2009	72.3	90.5	(7.7)	382.4	2.3	539.8
Total comprehensive income for the period				28.4		28.4
- Dividends				(12.8)		(12.8)
- Issue of share capital						
- Scrip dividend	0.1	1.8				1.9
- Exercise of options	0.4	3.8				4.2
Consideration paid for own shares			(2.4)			(2.4)
Own shares vesting charge			1.9	(1.9)		-
P&L reserve credit in respect of share option charges				4.9		4.9
At 30 June 2010	72.8	96.1	(8.2)	401.0	2.3	564.0

Miscellaneous reserves represent other non-distributable reserves.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2010	30 June 2009	31 December 2009
		£'Million	£'Million	£'Million
Assets				
Intangible assets				
- Deferred acquisition costs	8	696.5	595.8	642.4
- Acquired value of in-force business		52.1	55.9	54.1
		748.6	651.7	696.5
Property and equipment		8.8	10.1	10.4
Deferred tax assets	9	215.3	147.7	187.0
Investment property		397.0	350.8	401.7
Investments				
- Equities		12,239.7	9,342.5	12,361.4
- Fixed income securities		2,401.9	1,669.3	2,249.5
- Investment in Collective Investment Schemes		2,186.8	1,225.3	1,753.7
- Currency forwards		34.5	28.1	19.6
Reinsurance assets		39.0	28.8	36.8
Insurance and investment contract receivables		20.7	22.2	17.4
Income tax assets		16.2	10.5	18.6
Other receivables		419.4	266.6	235.0
Cash and cash equivalents		2,089.4	1,882.4	1,711.1
Total assets	3	20,817.3	15,636.0	19,698.7
Liabilities				
Insurance contract liabilities		381.1	320.2	388.1
Other provisions	10	5.6	5.4	4.8
Financial liabilities				
- Investment contracts		17,629.5	13,419.3	16,994.4
- Borrowings		1.5	7.5	2.6
- Currency forwards		3.0	-	-
Deferred tax liabilities	11	202.5	176.5	187.8
Insurance and investment contract payables		43.8	27.0	21.5
Deferred income	12	429.8	379.5	401.1
Income tax liabilities		20.7	19.3	14.5
Other payables		311.1	137.6	142.4
Net asset value attributable to unit holders		1,224.7	626.7	1,001.7
Total liabilities		20,253.3	15,119.0	19,158.9
Net assets		564.0	517.0	539.8
Shareholders' equity				
Share capital	13	72.8	72.0	72.3
Share premium		96.1	86.5	90.5
Other reserves		(5.9)	(8.0)	(5.4)
Retained earnings		401.0	366.5	382.4
Total shareholders' equity		564.0	517.0	539.8
		Pence	Pence	Pence
Net assets per share		116.3	107.8	112.0

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£'Million	£'Million	£'Million
Cash flows from operating activities			
Profit before tax for the period	28.2	33.0	28.5
Adjustments for:			
Depreciation	2.0	2.0	3.4
Amortisation of acquired value of in-force business	2.0	1.8	3.6
Fair value gains on non-operating investments	-	-	(0.1)
Share based payment charge	4.9	5.2	8.6
Changes in operating assets and liabilities			
Increase in deferred acquisition costs	(54.1)	(30.9)	(77.5)
Decrease in investment property	4.7	59.8	8.9
Increase in investments	(478.7)	(824.9)	(4,943.9)
(Increase)/decrease in reassurance assets	(2.2)	3.4	(4.6)
Increase in insurance and investment contract receivables	(3.3)	(7.3)	(2.5)
Increase in other receivables	(207.4)	(53.8)	(16.5)
(Increase)/decrease in insurance contract liability provisions	(7.0)	(18.2)	49.7
Increase/(decrease) in provisions	0.8	(7.5)	(8.1)
Increase in financial liabilities (excluding borrowings)	661.0	264.4	3,849.6
Increase/(decrease) in insurance and investment contract payables	22.3	4.1	(1.4)
Increase in deferred income	28.7	6.9	28.5
Increase/(decrease) in other payables	186.3	(13.7)	(31.6)
Increase in net assets attributable to unit holders	223.0	290.9	665.9
Cash generated from operations	411.2	(284.8)	(439.5)
Income taxes received	0.6	7.7	12.2
Net cash from operating activities	411.8	(277.1)	(427.3)
Cash flows from investing activities			
Acquisition of property and equipment	(0.4)	(0.8)	(2.7)
Proceeds from sale of plant and equipment	-	1.1	1.1
Net cash from investing activities	(0.4)	0.3	(1.6)
Cash flows from financing activities			
Proceeds from the issue of share capital	6.1	0.3	4.6
Consideration paid for own shares	(2.4)	(0.3)	(0.3)
Repayment of borrowings	(1.1)	(0.3)	(5.2)
Dividends paid	(12.8)	(12.2)	(21.0)
Net cash used in financing activities	(10.2)	(12.5)	(21.9)
Net increase/(decrease) in cash & cash equivalents	401.2	(289.3)	(450.8)
Cash and cash equivalents at 1 January	1,711.1	2,253.5	2,253.5
Effect of exchange rate fluctuations on cash held	(22.9)	(81.8)	(91.6)
Cash and cash equivalents	2,089.4	1,882.4	1,711.1

NOTES TO THE IFRS BASIS RESULTS

1. BASIS OF PREPARATION

This condensed set of consolidated half year financial statements for the six months ended 30 June 2010, which comprise the half year financial statements of St. James's Place plc (the "Company") and its subsidiaries (together referred to as the "Group"), has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. They have been prepared on a going concern basis and should be read in conjunction with the full year 2009 Report & Accounts.

The condensed consolidated income statement for the six months ended 30 June 2009 and twelve months ended 31 December 2009 have been re-presented to better present fee and commission income to disclose all fund related income which, had in part, been previously netted off against investment contract benefits. The impact on the condensed consolidated income statement has been to increase fee and commission income and to decrease investment contract benefits by £116.6 million for the six months ended 30 June 2009 and by £267.9 million for the twelve months ended 31 December 2009. There has been no impact on the profit attribtuable to the shareholders of the company.

2. SIGNIFICANT ACCOUNTING POLICIES

As required by the Disclosure and Transparency Rules of the Financial Services Authority, this 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 2009. These were prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU, except for the impact of the adoption of the Standards described below.

IFRIC 17 Distribution of non-cash assets to owners (effective for annual periods beginning on or after 1 July 2009)
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. Adoption of IFRIC 17 has not had any impact on the reported results or financial position of the Group.

3. SEGMENT REPORTING

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Board of the Company) in order to allocate resources to the segment and to assess its performance. The Group's reportable segments under IFRS 8 are therefore as follows:

1. Life business – offering pensions, protection and investment products through the Group's life assurance subsidiaries.

2. Unit trust business – offering unit trust investment products, including ISAs, through the St. James's Place Unit Trust Group.

3. Other – offering financial products such as annuities, mortgages and stakeholder pensions, from third party providers.

Separate geographical segmental information is not presented since the Group does not segment its business geographically, its customers being based and its assets managed predominantly in the United Kingdom.

The income, profit and assets of these segments are set out below.

NOTES TO THE IFRS BASIS RESULTS (continued)

Segment Income
Annual Premium Equivalents ("APE")

APE, being regular premiums plus one tenth of single premiums, is the income measure that is monitored on a monthly basis by the chief operating decision maker.

	6 Months Ended 30 June 2010 £'Million	6 Months Ended 30 June 2009 £'Million	12 Months Ended 31 December 2009 £'Million
Life business	197.7	140.9	310.9
Unit Trust business	69.3	40.8	89.2
Other business	25.6	21.3	40.7
Total APE	**292.6**	**203.0**	**440.8**
Adjustments to IFRS basis			
Life Business			
Exclude investment business APE	(195.3)	(138.7)	(306.2)
Difference between insurance business APE and premium receivable	34.5	38.3	80.8
Less insurance premium income ceded to reinsurers	(13.7)	(14.7)	(30.5)
Fee income (management fees)	155.3	116.6	267.9
Net movement on deferred income	(9.6)	2.0	(5.5)
Investment income (primarily in unit linked funds)	(299.8)	(264.4)	2,523.3
Unit trust business			
Exclude unit trust APE	(69.3)	(40.8)	(89.2)
Fee income (dealing profit and management fees)	63.3	38.1	89.6
Net movement on deferred income	(19.1)	(8.9)	(23.0)
Investment income	0.1	0.3	0.4
Other business			
Difference between APE and income receivable	(5.5)	(2.8)	(0.6)
Investment income on third party holdings in consolidated unit trusts	29.6	36.2	180.1
Other investment income	0.8	1.2	2.3
Other operating income	0.6	0.1	0.9
Total adjustments	**(328.1)**	**(237.5)**	**2,690.3**
Net income	**(35.5)**	**(34.5)**	**3,131.1**

All revenue is generated by external customers and there are no transactions between operating segments.

NOTES TO THE IFRS BASIS RESULTS (continued)

Segment Profit
European Embedded Value ("EEV") Operating Profit before Tax

EEV Operating Profit before tax is monitored on a monthly basis by the chief operating decision maker. The components of the EEV Operating Profit are included in more detail in the EEV basis results section on pages 26 to 32.

	6 Months Ended 30 June 2010 £'Million	6 Months Ended 30 June 2009 £'Million	12 Months Ended 31 December 2009 £'Million
Life business	117.7	83.8	175.1
Unit Trust business	44.0	28.1	74.3
Other business	0.4	(10.9)	(20.5)
EEV operating profit before tax	**162.1**	**101.0**	**228.9**
Investment return variance	(84.5)	(63.2)	148.2
Economic assumption changes	9.4	(10.4)	(13.9)
EEV profit before tax	87.0	27.4	363.2
Adjustments to IFRS basis			
Movement in life value of in-force	(43.1)	13.6	(234.8)
Movement in unit trust value of in-force	(15.7)	(8.0)	(99.9)
IFRS profit before tax	**28.2**	**33.0**	**28.5**

IFRS segment result	6 Months Ended 30 June 2010 £'Million	6 Months Ended 30 June 2009 £'Million	12 Months Ended 31 December 2009 £'Million
Life business			
- shareholder	27.5	24.2	53.6
- policyholder tax gross up	(8.1)	13.0	(21.4)
Unit trust business	8.4	6.7	16.8
Other business	0.4	(10.9)	(20.5)
Profit before tax	**28.2**	**33.0**	**28.5**

Included within both the EEV and IFRS profit before tax are the following:

	6 Months Ended 30 June 2010 £'Million	6 Months Ended 30 June 2009 £'Million	12 Months Ended 31 December 2009 £'Million
Interest income	0.9	1.5	4.0
Depreciation	2.0	2.0	3.4

NOTES TO THE IFRS BASIS RESULTS (continued)

Segment Assets
Funds under Management ("FUM")

FUM within the St. James's Place Group are monitored on a monthly basis by the chief operating decision maker.

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
Total FUM	**22,400.0**	**16,900.0**	**21,400.0**
Exclude external holdings in non consolidated unit trusts	(3,282.3)	(2,569.3)	(3,207.2)
Add balance sheet liabilities in unit linked funds	255.9	78.0	49.0
Adjustments for other balance sheet assets excluded from FUM			
DAC	696.5	595.8	642.4
PVIF	52.1	55.9	54.1
Property & equipment	8.8	10.1	10.4
Deferred tax assets	215.3	147.7	187.0
Fixed income securities	54.8	45.0	53.3
Collective investment schemes	177.2	150.4	163.7
Reinsurance assets	39.0	28.8	36.8
Insurance and investment contract receivables	20.7	22.2	17.4
Income tax assets	16.2	10.5	18.6
Other receivables	154.3	149.1	146.6
Cash and cash equivalents	56.2	45.6	67.2
Other adjustments	(47.4)	(33.8)	59.4
Total adjustments	**(1,582.7)**	**(1,264.0)**	**(1,701.3)**
Total assets	**20,817.3**	**15,636.0**	**19,698.7**

NOTES TO THE IFRS BASIS RESULTS (continued)

4. INCOME TAXES

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£'Million	£'Million	£'Million
Policyholder tax			
Overseas withholding tax	9.9	10.7	16.1
Deferred tax on eligible unrelieved foreign tax	-	(0.2)	8.4
Deferred tax on unrelieved expenses			
- Current year credit	(3.7)	-	(3.4)
- Prior year charge	-	-	5.4
Deferred tax on unrealised gains in unit linked funds	(17.3)	(0.4)	(42.4)
UK corporation tax			
- Current year charge	3.0	3.5	-
- Prior year credit	-	(0.6)	(5.5)
Total policyholder tax (credit)/charge for the period	(8.1)	13.0	(21.4)
Shareholder tax			
UK corporation tax			
- Current year charge	-	0.4	3.0
- Prior year credit	-	(0.5)	(1.1)
Overseas tax	0.5	(0.2)	0.4
	0.5	(0.3)	2.3
Deferred tax on pensions business losses			
- Current year credit	(2.0)	(2.3)	1.1
- Prior year credit		-	(2.7)
Deferred tax charge on other items			
- Current year charge	9.4	6.6	10.1
- Prior year credit	-	-	(0.7)
Total shareholder tax charge for the period	7.9	4.0	10.1

NOTES TO THE IFRS BASIS RESULTS (continued)

5. EARNINGS PER SHARE

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	Pence	Pence	Pence
Basic earnings per share	5.9	3.4	8.3
Diluted earnings per share	5.8	3.3	8.2

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

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£'Million	£'Million	£'Million
Earnings			
Profit after tax *(for both basic and diluted EPS)*	28.4	16.0	39.8
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	480.3m	475.9m	477.3m
Adjustments for outstanding share options	8.5m	3.5m	6.7m
Weighted average number of ordinary shares *(for diluted EPS)*	488.8m	479.4m	484.0m

6. DIVIDENDS

The following dividends have been paid by the Company:

	6 Months Ended 30 June 2010	6 Months Ended 30 June 2009	12 Months Ended 31 December 2009
	£'Million	£'Million	£'Million
2008 final dividend – 2.55 pence per ordinary share	-	-	12.2
2009 interim dividend – 1.84 pence per ordinary share	-	-	8.8
2009 final dividend – 2.66 pence per ordinary share	12.8	12.2	-
Total dividends paid	12.8	12.2	21.0

The directors have resolved to pay an interim dividend of 2.025 pence per share (2009: 1.84 pence). This amounts to £9.8 million (2009: £8.8 million) and will be paid on 15 September 2010 to shareholders on the register at 6 August 2010.

NOTES TO THE IFRS BASIS RESULTS (continued)

7. ASSETS HELD TO COVER LINKED LIABILITIES AND THIRD PARTY HOLDINGS IN UNIT TRUSTS

Included within the balance sheet are the following assets and liabilities which represent the net assets held to cover linked liabilities and those attributable to third party holdings in unit trusts (UTMI). 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 and the UTMI.

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
Assets			
Investment property	397.0	350.8	401.7
Investments			
- Equities	12,239.7	9,342.5	12,361.4
- Fixed income securities	2,347.1	1,624.3	2,196.2
- Investment in Collective Investment Schemes	2,009.6	1,074.9	1,590.0
- Currency forwards	34.5	28.1	19.6
Deferred tax asset	59.2	-	41.9
Other receivables	265.1	117.7	88.4
Cash and cash equivalents	2,033.2	1,836.7	1,643.9
Total assets	19,385.4	14,375.0	18,343.1
Liabilities			
Financial liabilities			
- Currency forwards	3.0	-	-
Deferred tax liabilities	-	0.1	-
Other payables	252.9	78.0	50.0
Total liabilities	255.9	78.1	50.0
Net assets held to cover linked liabilities	19,129.5	14,296.9	18,293.1

8. DEFERRED ACQUISITION COSTS

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
Life business - insurance DAC	21.0	24.0	22.1
Life business - investment DAC	535.1	458.5	495.0
Unit trust business - investment DAC	140.4	113.3	125.3
Total deferred acquisition costs	696.5	595.8	642.4

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

NOTES TO THE IFRS BASIS RESULTS (continued)

9. DEFERRED TAX ASSETS

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
Life business - unrelieved expenses	59.5	57.7	55.7
Life business – net capital losses in unit linked funds	59.2	-	41.9
Life business - EUFT	-	8.6	-
Life business - pension business	9.5	8.2	7.5
Life business - deferred income	35.5	34.0	34.5
Unit trust business - deferred income	44.6	35.3	39.3
Other	7.0	3.9	8.1
Total deferred tax assets	215.3	147.7	187.0

A deferred tax asset on capital losses on eligible investments of £59.2 million (31 December 2009: £41.9 million) was recognised at 30 June 2010 and has been modelled on a prudent basis with the losses being reversed in a reasonable timeframe.

10. OTHER PROVISIONS

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
At beginning of period	4.8	12.9	12.9
Movement in the period	0.8	(7.5)	(8.1)
At end of period	5.6	5.4	4.8

Other provisions at 30 June 2010 consist of £5.1 million (31 December 2009: £4.3 million) to meet obligations arising as a result of the closure of offices, £0.1 million (31 December 2009: £0.1 million) in respect of the policyholder costs of redress for endowment business and £0.4 million (31 December 2009: £0.4 million) in respect of miscellaneous items.

11. DEFERRED TAX LIABILITIES

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
On deferred acquisition costs	183.4	155.9	168.7
On acquired value of in-force business	14.6	15.6	15.1
Within unit-linked funds	-	0.1	-
Other	4.5	4.9	4.0
Total deferred tax liabilities	202.5	176.5	187.8

NOTES TO THE IFRS BASIS RESULTS (continued)

12. DEFERRED INCOME

	30 June 2010	30 June 2009	31 December 2009
	£'Million	£'Million	£'Million
Life business	270.5	253.4	260.9
Unit trust business	159.3	126.1	140.2
Total deferred income	429.8	379.5	401.1

13. SHARE CAPITAL

	Number	Nominal value
		£'Million
At 30 June 2009	479,736,287	72.0
Issue of shares	2,295,500	0.3
At 31 December 2009	482,031,787	72.3
Issue of shares	2,955,655	0.5
At 30 June 2010	484,987,442	72.8

14. RELATED PARTY TRANSACTIONS

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

Transactions with LBG and LBG group companies

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

- Commission of £1.8 million (2009: £2.4 million) was receivable in relation to the sale of various products and services offered by LBG companies
- During the year, deposits were placed with LBG companies on normal commercial terms. At 30 June 2009 these deposits amounted to £53.5 million (2009: £34.7 million)
- Amounts lent by, or assigned to, the Bank of Scotland to members of the St. James's Place Partnership, under guarantee by St. James's Place, totalled £79.2 million (2009: £59.3 million)
- Amounts lent by the Bank of Scotland to the Group totalled £1.5 million (2009: £7.5 million)
- Fees of £7,700 (2009: £9,600) were payable to Insight Investment Management Limited in respect of investment management services to a number of St. James's Place life, pension and unit trust funds. The outstanding balance payable at 30 June 2010 was £Nil (2009: £Nil)
- Fees of £883,600 (2009: £649,000) were payable to Invista Real Estate Investment Management Limited (55% owned by LBG) in respect of investment management services for the property portfolio of the St. James's Place UK life and pension funds. The outstanding balance payable at 30 June 2009 was £324,900 (2009: £214,000)
- Fees of £25,000 (2009: £23,801) were payable to LBG in respect of the services of non-executive St. James's Place Board Directors
- St. James's Place Board Directors have been included in a directors' and officers' insurance policy negotiated on a group basis by LBG

NOTES TO THE IFRS BASIS RESULTS (continued)

15. POST BALANCE SHEET EVENTS

The new coalition Government's Budget on 22 June 2010 set out plans to reduce the rate of corporation tax from 28% to 27% for the 2011/2012 tax year. This reduction was "substantially enacted" on 20 July and will have a positive impact on the IFRS result of around £3 to 5 million.

There have been no other material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

16. 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 2009 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 498 of the Companies Act 2006.

17. APPROVAL OF HALF YEAR REPORT

These condensed consolidated half year financial statements were approved by the Board of Directors on 27 July 2010.

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

The directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of St. James's Place plc are listed in the St. James's Place plc Annual Report for 31 December 2009. A list of current directors is maintained on the St. James's Place plc website: www.sjp.co.uk

The condensed consolidated interim financial statements on pages 33 to 46 were approved by the Board of Directors on 27 July 2010 and were signed on its behalf by:

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

INDEPENDENT REVIEW REPORT BY PRICEWATERHOUSECOOPERS LLP TO ST. JAMES'S PLACE PLC

Introduction

We have been engaged by the company to review:

- the condensed consolidated set of financial statements in the half year report, which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows and related notes;

- the European Embedded Value Basis Supplementary Information for the six months ended 30 June 2010 which comprises the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position and the related notes ("the Supplementary Information").

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

Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this half year report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

The directors are responsible for preparing the supplementary half year financial information in accordance with the EEV basis set out in note II.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated set of financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose.

Our responsibility on the supplementary half year financial information in the half year report is to express to the Company a conclusion based on our review. This report on the supplementary half year financial information, including the conclusion, has been prepared for and only for the Company in accordance with our letter of engagement dated 5 July 2010 and for no other purpose.

We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT REVIEW REPORT BY PRICEWATERHOUSECOOPERS LLP TO ST. JAMES'S PLACE PLC

Scope of review

We conducted our review 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 United Kingdom. A review of interim financial 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 consolidated set of financial statements in the half year report is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority; and

- the supplementary half year financial information in the half year report is not prepared, in all material aspects, in accordance with the EEV basis set out in note II.

PricewaterhouseCoopers LLP
Chartered Accountants
27 July 2010
Bristol

Notes:

- The maintenance and integrity of the St. James's Place plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.