ST. JAMES'S PLACE PLC ANNUAL REPORT AND ACCOUNTS 2011

ST. JAMES'S PLACE
WEALTH MANAGEMENT

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The St. James's Place Wealth Management Group offers a wide range of high quality wealth management services to businesses and individuals. With over £28 billion funds under management, we are well established as one of the UK's leading wealth management organisations.

At the heart of our business is the St. James's Place Partnership, which brings together some of the most experienced, able and highly-regarded professionals working in financial services today, with an average of 17 years in the industry.

Contents

Financial highlights

Dividends (pence per share)

Increase of
33%

IFRS Net Assets per Share (pence)

Increase of
14%

EEV Net Assets per Share (pence)

Increase of
9%

Funds under management +6%

2011: £28.5 billion
2010: £27.0 billion

Net inflow of funds under management +10%

2011: £3.3 billion
2010: £3.0 billion

Total single premiums +10%

2011: £5.2 billion
2010: £4.7 billion

Partnership numbers +6%

2011: 1,649
2010: 1,552

IFRS profit before shareholder tax +30%

2011: £109.7 million
2010: £84.2 million

EEV new business profit +13%

2011: £246.0 million
2010: £217.8 million

EEV operating profit +12%

2011: £371.5 million
2010: £332.6 million

Cash result +39%

2011: £67.0 million
2010: £48.3 million

Chairman's Statement

This is my first statement to shareholders since I assumed the Chair of the Board at the start of 2012 and I would like to start by saying how delighted and privileged I am to be Chairman of St. James's Place plc – one of the pre-eminent wealth management companies in the UK.

Charles Gregson
Chairman

My second task must be to thank Mike Wilson, on behalf of shareholders and the St. James's Place community for his Chairmanship over the last seven years. Along with Sir Mark Weinberg, Mike founded the Group 20 years ago, and so it is entirely fitting that he is appointed Joint Life President alongside Sir Mark. Mike has made an invaluable contribution to St. James's Place during the last 20 years and I'm delighted that he will continue to be involved with the Group as an adviser to the St. James's Place Academy and as the Chairman of the St. James's Place Foundation.

As Chairman I am responsible for ensuring that the Board operates effectively. During the year, the outgoing Chairman Mike Wilson and I undertook a number of actions to enhance further the governance structure and thereby improve the Board's effectiveness. These included:

Succession Planning

After many years' service on the Board, Derek Netherton and Michael Sorkin retired from the Board at the end of the year and I would like to thank both of them on behalf of the Board and shareholders for their wise counsel and support during their tenure as Non-executive Directors.

During 2011, two new independent Non-executive Directors joined the Board, Vivian Bazalgette and Iain Cornish. Vivian succeeded Sir Mark Weinberg as Chairman of the Investment Committee in July 2011 and Iain's appointment in October brought deeper levels of financial services experience to the table, as well as ensuring continuity of financial expertise on the Audit Committee. Both Vivian and Iain bring a wealth of relevant experience to St. James's Place and they are already making a valuable contribution to the Group.

At this year's Annual General Meeting, Roger Walsom will be stepping down after nearly seven years on the Board and we thank him for his excellent contribution also. In anticipation of this, I am delighted to inform shareholders that we will be appointing Baroness (Patience) Wheatcroft as an independent Non-executive Director in April. Patience has substantial business, board and media experience, so will further strengthen the wide range of skills on the Board.

Further details of our succession planning process can be found in the Corporate Governance Report on page 57.

Board Effectiveness Review

In 2011, we appointed Independent Audit to facilitate an evaluation of the effectiveness of the Board and its Committees. Independent Audit conducted interviews with all Board members, various members of the senior management team and a number of advisers, following which they prepared a report and led a Board discussion regarding their observations. It was particularly useful to gain the external perspective provided by Independent Audit and a number of actions to improve the Board's effectiveness have already been implemented. A summary of the findings and recommendations of the Board effectiveness review can be found on page 58.

Developments in Corporate Governance

We continue to monitor the changes to the corporate governance landscape. We were early adopters of the annual re-election requirement of the UK Corporate Governance Code. We also reviewed the recommendations of the Davies Report on diversity and further details of the Board's position on diversity can be found of page 61.

The Future

Looking ahead, some of my priorities include making sure we bed in the various recommendations made during the Board evaluation process and planning the continued development of talent within the Group to ensure we have the right skills around the table to drive forward the continued success of the Group.

Turning to the business, the overall results were once again very strong with good growth in all the key performance indicators, as David covers in his report. Despite a challenging economic environment, St. James's Place has continued to grow with funds under management, the size of the Partnership and operating profits all rising over the year. Particularly encouraging for shareholders is the ongoing increase in the emergence of cash, up 39%, which together with our confidence in the outlook for the business, enables the Board to fulfil its commitment of a significant increase in the full year dividend of 33%.

Looking forward, having established the Group as a well respected and trusted provider of good quality advice and wealth management services in recent years, we now need to build on that success in the years ahead. Critical to that is the continued development and growth of the Partnership and the Group's investment proposition, whilst remaining focused on our core business principles, and the values and culture that have stood the Group in such good stead thus far.

I look forward to working with the Board in achieving these aspirations.

Charles Gregson
Chairman
21 February 2012

Chief Executive's Statement

Last year, I began my statement with the words 'In spite of an uncertain economic environment, 2010 proved to be an extremely good year for St. James's Place.' 2011 saw the economic uncertainty continue, as the problems of the Eurozone took centre stage and stock markets exhibited considerable volatility in the second half of the year. Despite these challenges, our results in 2011 were again very good, and demonstrated another robust performance across all aspects of the business.

David Bellamy
Chief Executive

I will cover the results in more detail below, but before doing so, I wanted to take this opportunity to remind shareholders of the key principles which underpin our business.

Business Strategy

The Group's strategy is to attract new clients and new funds under management by providing face to face wealth management advice, based on client's individual needs and circumstances, through our dedicated advisers, the St. James's Place Partnership. Our advisers monitor and review clients' financial needs over time, adapting advice where necessary in order to ensure that recommendations remain appropriate. By focusing on getting this right, we retain both the client relationship and the funds under management for the long-term.

Our business is centred on the UK, attracting clients from the mass affluent and, increasingly, the high net worth markets. And whilst the road to recovery for the UK economy remains challenging, the need for trusted financial advice is greater than ever.

We aim to grow the business by increasing funds under management through a combination of attracting new clients and new funds (new business), maintaining strong retention of existing funds under management and driving investment growth.

Since we founded the business in 1992, we have become recognised and respected as a trusted provider of good quality advice and wealth management services. Today, as we celebrate our 20th Anniversary, we manage over £28 billion of client investments for over 300,000 clients.

Measured in terms of funds under management, the business has doubled over the last five years as well as in the five years preceding that, a rate of growth which we believe we can repeat in the next five years, subject of course to the vagaries of the market. We believe that the strength of relationship between our Partners and our clients, together with our approach to investment management, leaves us uniquely positioned to continue to succeed in the wealth management market.

New Business and Funds Under Management

Turning to 2011's performance, total new funds invested were up 10% to a record £5.2 billion (2010: £4.7 billion) whilst new business measured on an Annual Premium Equivalent ('APE') basis at £642.3 million (2010: £581.8 million) was also up 10%.

Of equal importance to growing new funds under management is retaining existing client funds, and our retention experience in this regard remains very strong, resulting in a net inflow of funds for the year of £3.3 billion (2010: £3.0 billion).

Total funds under management at 31 December 2011 were £28.5 billion (2010: £27.0 billion) an increase of 6% over the year.

Financial Performance

The financial commentary on pages 12 to 26 provides an explanation of the presentation of the financial results and detail of the Group financial performance for the year.

We have achieved strong growth in all of the key profit measures as highlighted below.

IFRS (International Financial Reporting Standards) profit before shareholder tax increased during the year by 30% to £109.7 million (2010: £84.2 million) with the key driver to growth being the annual management fees resulting from the increased funds under management and the growing maturity of the business.

The EEV (European Embedded Value) operating profit at £371.5 million (2010: £332.6 million) was up 12% over the year as a result of the profit from new business, better than expected retention rates and lower ongoing administration costs.

The cash result which ultimately determines the dividend was up 39% to £67.0 million (2010: £48.3 million) reflecting the increasing maturity of funds under management.

Dividend

The main sources of income for the Group are the fees charged for advising on and managing client investments.

In the early years after taking on a client, the fees earned are used to finance the acquisition costs of the business and in helping to grow our distribution arm, the St. James's Place Partnership. Thereafter, cash flows through to the bottom line.

Indeed, the combination of the longer-term nature of the business and the strong growth in new funds under management in recent years is now providing an increasing level of cash flow, over and above the cash needed for reinvestment, such that we are able to progressively grow the dividend return for shareholders.

Last year, this enabled us to announce a rebasing of the dividend over two years which resulted in a 33% increase in the 2010 full year dividend with the stated intention for a similarly significant increase in 2011.

Despite the stock market volatility seen in the second half of last year, the growth in cash earnings remained strong and the Board has therefore resolved to increase the full year dividend by 33%. Given our ongoing confidence in the profile of the cash emergence going forward shareholders can expect a similarly significant increase in the 2012 dividend, for the third consecutive year. Beyond that we hope to progressively grow the dividend in line with the underlying growth of the business.

Subject to the approval of shareholders at the AGM, the Board proposes to increase the final dividend by 21% to 4.8 pence per share. This provides for a full year dividend of 8.0 pence per share (2010: 6.0 pence per share) up 33%, to be paid on 16 May 2012 to shareholders on the register at the close of business on 30 March 2012.

As announced in our Interim results, there will no longer be a scrip dividend alternative but there will be a Dividend Reinvestment Plan ('DRP') available for shareholders.

Key Business Drivers

Underpinning our business results and central to achieving our medium-term goals are three principal objectives. Firstly, we aim to continue the development of the Partnership both in terms of the numbers of Partners and their professionalism, year on year. Secondly, we must continue to look after our clients and meet, if not exceed, their expectations and aspirations. Thirdly, we need to ensure we continue to provide Partners and clients with the breadth in our investment proposition and the support and services necessary to enhance Partner and client relationships and grow our business.

The next few sections cover progress in these areas.

Net Inflow of Funds

£3.3bn

Funds Under Management

£28.5bn

Cash Result

+39%

Full Year Dividend

+33%

The St. James's Place Partnership

The size of the Partnership increased during the year to 1,649, growth of over 6% and in line with our stated long-term objective. Over the last five years the Partnership has grown by almost 500, representing compound growth over the period in excess of 7% pa.

The market place for advisers continues to be very active at the moment and we are confident we can continue to attract the appropriate number and quality of new Partner businesses to St. James's Place. We anticipate that a small number of existing Partners will retire earlier than previously expected this year, in advance of the changes brought about by the Retail Distribution Review and consequently we expect the 2012 net growth in the Partnership to be slightly lower than recent years.

During the year, the progress made by the Partnership to achieve the new regulatory qualifications has been outstanding, with over 4,500 exams taken in 2011 resulting in over 80% of advisers achieving the Diploma qualification, and a further 11% within one or two exams.

Whilst we expect to see our main source of new advisers come from the existing market, we have proceeded to launch the second phase of the St. James's Place Academy with an investment of some £2 to 2.5 million in 2012. This initiative aims to help 'grow our own advisers' to supplement our recruitment efforts in the medium to long-term. The first 'intake' of 16 individuals following the re-launch joined the academy in January.

Our Clients

Building and maintaining long-term relationships with clients is core to our business strategy and we achieve this primarily through the St. James's Place Partnership. Our Partners recognise that no one client's objectives or circumstances are the same as another. The relationships between Partners and clients endure because they are founded on mutual respect and trust, with the emphasis on building and maintaining a long-term relationship. The large majority of clients choose to continue the working relationship with their Partner indefinitely, appreciating a source of trusted advice as their financial needs evolve over the years.

The success of our approach can be seen from the fact that over 90% of new investments is estimated to come from existing clients or from referrals and introductions from them and once invested, clients tend to stay invested with a retention figure of 95% excluding regular withdrawals and maturities.

The strength of these relationships is also underscored through our annual client survey, conducted by Ledbury Research, where we consistently outperform the marketplace on all core satisfaction metrics. Nonetheless, as in previous years, where our clients tell us that there are areas we need to improve, we will take on board the feedback and take strides to improve the client experience.

During 2012, we are looking to further enhance our client offering by again broadening our investment proposition, as detailed below, whilst at the same time developing a more bespoke Private Client service offering to include access to alternative investment offerings.

Investment Management

At the heart of the proposition to our clients is our investment management approach.

Regular readers of these reports will be familiar with the approach and will know that we believe no one institution has a monopoly on investment talent and hence we seek to find the very best investment managers from across the globe. Indeed, we have no 'in-house' investment managers.

Instead, through our Investment Committee, aided by the respected independent investment research consultants Stamford Associates, we seek to select, monitor, and if necessary change, fund managers on behalf of all of our clients.

The Investment Committee meets regularly throughout the year to review performance. If a change in the market calls for the addition of a new manager, the Committee will select one. Equally, if the Committee loses confidence in the ability of an existing manager, it will replace them.

We remain committed to monitoring and reviewing all of our fund managers to ensure we generate good returns for clients over the medium-term.

New Fund Managers and Fund Manager Changes

At the beginning of 2011, we launched a range of 'model' or 'example portfolios' incorporating four growth portfolios, ranging from conservative to adventurous, and three income portfolios catering for immediate income needs through to a deferred income portfolio. These have proved to be very helpful to both Partners and clients.

During the second half of 2011, we launched a new Global Equity Fund which included the introduction of three new investment managers; New York based Tweedy, Browne Company, Sands Capital Management operating from Virginia and London based Majedie Asset Management.

In February 2012, we added two new funds to our range, a new multi-asset proposition managed by Pacific Investment Management Company ('PIMCO') based in Newport Beach, California and a Global Equity Income Fund managed by Paul Boyne and Doug McGraw of Invesco Perpetual.

We also took this opportunity to extend our range of example portfolios by adding a defensive portfolio and, as part of this, an Index Linked Gilt fund managed by BlackRock.

In April this year, we will appoint Ken Buntrock of Loomis Sayles, based in Boston, to manage our Investment Grade Corporate Bond fund. At the same time we will hand over the running of the UK Growth fund to Majedie Asset Management.

Having significantly broadened our fund range over the last couple of years, we are now able to offer our clients a range of funds managed by over 30 leading fund managers from across the globe.

St. James's Place Foundation

As shareholders will know, 'giving back' and helping those less fortunate than ourselves is one of our principal beliefs and forms part of the very fabric of St. James's Place. The St. James's Place Foundation is our own charitable company and each year we set out to raise money for the Foundation in all manner of forms of sponsored events.

As well as these and many other fund raising events, over 80% of our community contribute to the Foundation on a regular monthly basis. It was very pleasing to see this recognised by the Government, with St. James's Place used as an example in last year's White Paper on Giving.

In 2011, we raised £3.1 million (2010: £2.8 million) which is a fantastic achievement and enabled us to help many charities during the year at a time when the charitable sector has been suffering funding cuts and hardship in the wake of the economic downturn.

Full details of the St. James's Place Foundation and more information on our fund raising initiatives and the charities supported can be found on pages 38 to 43.

The support we provide for the charitable sector and the engagement we have within our own community wouldn't be possible without the generous support of the Company, who on behalf of shareholders, match pound for pound everything that our Partners and staff raise, so can I take this opportunity to thank shareholders on behalf of our community and the charities they support.

The Community

In addition to our charitable ethos we also have a responsibility to help build strong and healthy communities in the areas where our business operates. We do this by supporting a number of local initiatives – details of which can be found on pages 46 and 47.

For the last three years we have also been supporting the Loughborough University Elite Swimming Programme with a view to this year's London Olympics. We're delighted that our support has helped and wish all the swimmers involved in the programme the best of luck at the forthcoming London Olympics.

Partners and Employees

Finally on behalf of the Board and shareholders, I would like to thank all of the members of the St. James's Place Partnership, all of our employees and the staff in our administration centres for their exceptional commitment, dedication and enthusiasm without which this strong set of results would not have been achieved.

Outlook

The growth in Partner numbers, the addition of new investment funds and the progress made in achieving the new regulatory qualification levels all bode well for the future. Consequently, while mindful of the difficult economic conditions that persist, we have a good platform for further growth in new business in 2012 and we remain confident of achieving our medium-term growth objectives.

David Bellamy
Chief Executive
21 February 2012

Our Business – Who We Are and What We Do

Who We Are

The St. James's Place Wealth Management Group was founded in 1991. St. James's Place plc was listed on the London Stock Exchange in 1997 and is now a FTSE 250 company with over £28 billion of client funds under management, specialising in the provision of face-to-face wealth management advice to individuals, trustees and businesses. We provide advice to clients based on their individual needs and circumstances, adapting our advice as requirements change over time to ensure that recommendations remain appropriate.

What We Do

Our relationship-based approach is greatly valued by our clients, no more so than in the current period of financial uncertainty. There is an increasing demand for trusted advice from experienced advisers backed by a strong organisation and brand.

What Makes Us Different

The relationships between Partners and clients endure because they are founded on mutual respect and trust, with the emphasis on building and maintaining a long-term relationship. The success of our approach can be seen from the fact that some 90% of new investments come from existing clients or from referrals and introductions from them. Once invested, clients tend to stay invested and we're extremely pleased with the consistent, year on year, retention of funds under management of 95%.

Our Marketplace

We specialise in meeting the financial needs of people who have created more capital, or who earn higher incomes than average, and where circumstances are therefore more complicated than usual. We provide a highly professional service delivering reliable and personal service designed to suit individual requirements.

The UK comprises one of the highest populations of high net worth individuals in Western Europe. The majority of these individuals will have an increasing need for advice as financial markets become ever more complex, and governments and employers continue to transfer the burden of provision to the individual.

How We Operate

We believe we remain uniquely positioned to continue to succeed in our market because of the two fundamental principles that have underpinned our business from day one: the strength of the relationship between our advisers and their clients; and our approach to investment management.

The St. James's Place Partnership

The members of the St. James's Place Partnership play the leading role in delivering our wealth management service. The Partners, so called because of the way they work in partnership with their clients, have, on average, over 17 years experience in their field and include some of the most experienced and able professionals working in wealth management today.

Whilst all of our Partners are experienced advisers, some have expertise in specific and highly technical areas. If an individual's circumstances require additional expertise, Partners will consult with, and if necessary introduce, a specialist colleague. Partners often work alongside other professional advisers, providing a complementary service and a fresh perspective.

We have chosen to promote our services exclusively through the Partnership. This reflects the confidence we have in our Partner's ability to provide clients with sound financial advice and to build and maintain long-term working relationships with them.

Relationships are important. Being able to call upon the services of an adviser who understands an individual's personal circumstances enables them to benefit from a source of trusted advice as their financial needs evolve over the years.

We are committed to supporting our Partners' ongoing professional development to ensure that they remain appropriately qualified and technically able. As a result, we are happy to guarantee the suitability of the advice that they give when recommending any of the wealth management products and services provided by companies in the St. James's Place Wealth Management Group.

Our Approach to Investment Management

Successful investment is critical to future financial wellbeing, but it is a field which presents a unique problem: future performance is unpredictable. As a result, when clients choose an investment manager, no matter how successful, they can never be sure that they have made the right choice. And even if they have, it may not continue to be the right choice over the years to come.

We believe that our approach to investment management addresses these challenges. We do not place clients' money in the hands of our own team of investment managers: indeed, we have no investment managers of our own. Instead, we are free to choose any investment manager from any fund management firm anywhere in the world.

The responsibility of selecting the range of funds and fund managers that are made available to St. James's Place clients at any one time falls upon the St. James's Place Investment Committee, advised by the respected independent investment research consultancy, Stamford Associates.

Stamford Associates share their extensive research of the global investment markets with a small number of companies. We are particularly proud to have them on our team, as St. James's Place is the only company they work with that provides wealth management advice to private individuals or Trustees.

The Committee meets regularly to review performance and consider detailed reports from each investment manager. If a change in the marketplace calls for the addition of another manager, the Committee will select one. Equally, if the Committee loses confidence in the ability of an existing manager it will replace them.

We remain committed to monitoring and reviewing all of our fund managers to ensure we generate the optimum return for our clients' investments. During 2011, the Investment Committee made seven new fund manager appointments.

The new managers and mandates appointed were:

Philip Brides of BlackRock (Alternative Assets Fund)
Nimesh Patel of BlackRock (Global Equity Fund)
Simon Todd and Michael Nickson of Majedie Asset Management (Global Equity Fund)
Sunil Thakor and David Levanson of Sands Capital Management (Global Equity Fund)
William Browne, John Spears, Tom Shrager and Robert Wyckoff of Tweedy Browne Company (Global Equity Fund)
Chris Bartram and Phillip Rodger of Orchard Street Investment Management (Property Fund)
Howard Gleicher of Aristotle Capital Management (North American Fund)

The Committee also oversaw the development and launch of seven portfolios to support and strengthen the St. James's Place advice process.

We remain committed to monitoring and reviewing all of our fund managers to ensure we generate the optimum return for our clients' investment and expect to make further new appointments, of both managers and mandates, in 2012.

Key Performance Indicators

Our Objectives and related Key Performance Indicators

Funds

Our objectives

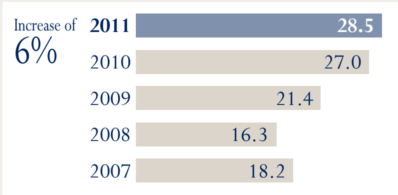
To increase funds under management through a combination of growth in new funds (new business), positive investment returns (above market median returns) and market leading retention rates of existing funds under management (FUM).

Progress during 2011

During 2011, FUM increased to £28.5 billion representing growth of 6% over the year as a result of £5.2 billion of gross inflows (11% increase) and £3.3 billion in net inflows (10% increase), against the backdrop of falling markets (a 6% fall in FTSE 100 in 2011).

Key performance indicators

Funds under Management (£'Billion)



The profitability on all measures of the Group is ultimately driven by the income we earn from FUM. The FUM have exhibited compound annual growth of 16% over the last ten years and 27% since inception.

New Business

Our objectives

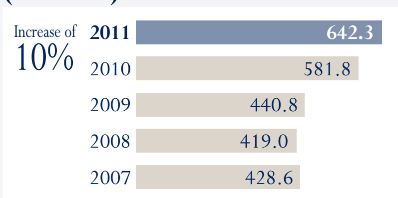
To achieve year on year growth in new business ahead of our competitors with a medium to longer-term objective of annual growth of 15 to 20%. This is achieved through a combination of productivity and growth in the Partnership.

Progress during 2011

During 2011, the growth in new business, as measured on the Annual Premium Equivalent (APE) basis (being new regular premiums plus one-tenth of single premiums and unit trust sales) was 10%. The number of Partners increased by 6% and APE per Partner increased by 4% to £401.2k (2010: £385.6k).

Key performance indicators

Growth in New Business (APE) (£'Million)



In 2011, the growth in new business was 10% resulting in compound annual growth of 13% over the last five years and 18% since inception.

The proportion of our own manufactured business for the year was 91%, maintaining the level of the previous year.

Financial

Our objectives

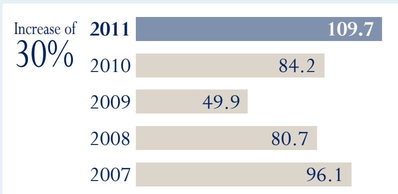
To achieve sustainable growth in reported profits on all bases and to increase the levels of cash emerging from our business as it matures, resulting in the opportunity to distribute increased earnings to our shareholders.

Progress during 2011

New business contribution and all measures of profit increased during 2011. The cash result for the year was £67.0 million, an increase of 39% over the prior year.

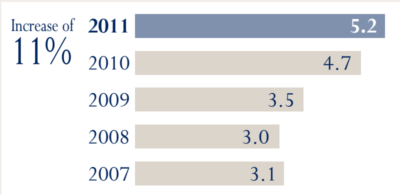
Key performance indicators

IFRS Profit before Shareholder Tax (£'Million)



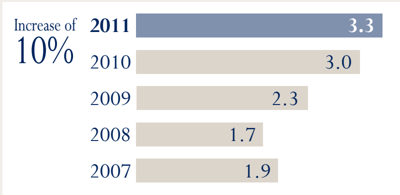
The IFRS reporting basis is the statutory requirement and requires that revenue is deferred until earned and that costs are amortised over the period in which the benefit is obtained. In 2011, IFRS profit before shareholder tax achieved growth of 30%.

Gross Funds Flow (£'Billion)



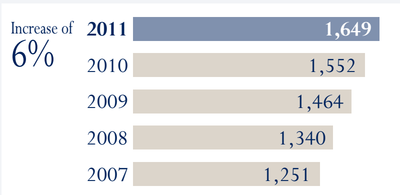
Gross funds flow is the gross new investment and pensions business (principally single premium) received that contributes to the positive movement in FUM.

Net Funds Flow (£'Billion)



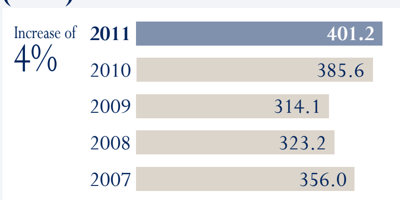
Net funds flow represents the combined effect of the gross funds flow less the outflows.

Number of Partners



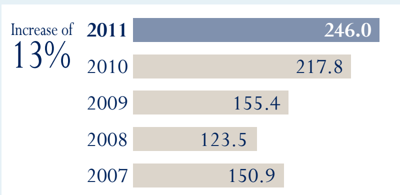
The growth in the number of advisers in the St. James's Place Partnership contributes to the growth in new business year on year. It is key, not only to recruit good quality advisers, but also to retain those already with us. During 2011, the number of Partners increased by 6% to 1,649.

New Business per Partner (APE) (£'000)



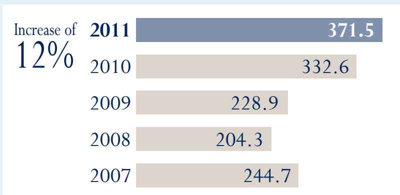
New business per Partner is a measure of the productivity of the Partnership which has contributed to the growth in new business over recent years.

New Business Contribution on an EEV basis (£'Million)



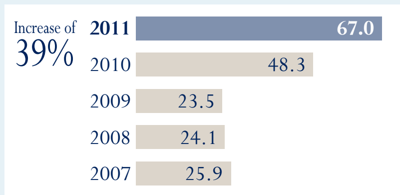
New business contribution represents the gross margin on the European Embedded Value (EEV) reporting basis emerging from new business sales, less the direct expenses and as such is a measure of the profitability of new business sales. In 2011, the growth in EEV new business contribution was 13%.

EEV Operating Profit before Tax (£'Million)



The EEV reporting basis assesses the full value of the long-term emergence of the shareholder cash returns. We aim to achieve sustainable growth in EEV operating profit and for 2011 achieved growth of 12%.

Cash Result (£'Million)



The cash result (which is defined on page 13) is the combination of the cash arising from the business in force at the start less the investment to acquire business in the current period - in effect a proportion of the cash arising from the in-force business is reinvested for future cash returns.

Financial Commentary

2011 has been a good year for the business, particularly so considering the difficult economic environment and the uncertainty caused by the developing Euro crisis. On the back of the 10% increase in new business, we are reporting a strong operating performance and growth in all key profit measures. Of particular note is the continuing growth in the cash emergence as the business matures.

Andrew Croft
Chief Financial Officer

THE FINANCIAL MODEL

As described in the Chief Executive's statement, the Group's strategy is to attract and retain retail funds under management. We then receive an annual management fee for as long as we retain the funds. As has been noted elsewhere, our retention of funds is strong due to the strength of the client relationship, and so our business is long-term in nature, both from a client perspective and with regards to the income that is generated.

The annual management fee is the principal source of income for the Group. We use this to meet the overheads of the business and to pay a dividend to shareholders, but we also invest in growing the Partnership and acquiring new funds under management. Currently, a large proportion of the income generated in a year is re-invested in growing the business. The new business generated is expected to earn income for an average period of 14 years, and should provide a good return on the investment.

This cost associated with the investment in new business means the net income is correspondingly reduced, although the new funds under management added are expected to generate future returns. Management believes it is important for investors to appreciate not only the short-term net income position, but also the full, long-term potential income of the business. We therefore complement our IFRS disclosure with additional disclosure on an embedded value basis (using EEV principles). This measure assesses the discounted value of all future cash flows and we believe it better reflects the full economic value of the performance of the business.

Ultimately, the business model is set to generate cash in the long-term and growth in the income over the long-term will ensure we are able to pay a growing dividend to shareholders. In other words, the embedded value profit we report in one year should materialise in IFRS and other measures in future years.

PRESENTATION OF FINANCIAL RESULTS

Because of the nature of the income flows of the business we present additional disclosure on an embedded value basis to complement the statutory IFRS results. Furthermore, we also provide analysis of the sources of cash emergence in the year which we refer to as the cash result. These three measures provide investors with different perspectives on the performance of the business in a particular year. We believe the additional disclosure will assist them in making their own assessment of the value of the business.

This section provides a summary of the different methods and the insight each offers:

The **IFRS result** is the approach required for statutory reporting purposes. The effect of the method is that profits are recognised in line with the provision of services and therefore are broadly in line with the cash emergence from a contract. However, for long-term business it seeks to spread some of the initial cashflows over the whole duration of the contract through the use of intangible assets (known as DAC – Deferred Acquisition Costs and DIR – Deferred Income Reserve). It also recognises the value of certain future cashflows, particularly deferred tax.

Since reporting of the IFRS result is a statutory requirement, it provides a measure of performance used for comparison across all companies.

The **embedded value result** is particularly useful for investors seeking to assess the full value of the long-term emergence of shareholder cash returns. It does this by reflecting the net present value of the expected future cash flows in the valuation. This type of presentation is also commonly referred to as a 'discounted cashflow' valuation. Our embedded value is based on the EEV principles, which were set out as an industry standard by the Chief Financial Officers (CFO) Forum in 2004.

The **cash result** measure has been developed with the aim of assisting investors seeking to understand the sources of cash emergence. It is based on IFRS, but removes non-cash items such as DAC, DIR and deferred tax. It is also adjusted to reflect the regulatory solvency constraints on profits emerging from regulated companies such as our insurance businesses. The effect is to create a measure which more reflects the underlying cash generated by the business. This should not be confused with the IFRS cash flow statement which is prepared in accordance with IAS 7 and disclosed on page 83.

Sections 1-3 below 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 the key reporting measure for satisfying the statutory reporting requirements and provides a measure of performance which recognises the emergence of profits in line with the provision of services, and is comparable with other businesses.

The IFRS result is presented both before and after tax. However, because the Group includes a UK life assurance company, the business incurs tax on behalf of policyholders as well as shareholders. The tax charge therefore includes both policyholder and shareholder tax, and the IFRS profit before tax result is reported gross of both taxes.

Since the policyholder tax charge is unrelated to the performance of the business, management believes it is useful to provide additional disclosure on the **profit before shareholder tax**. This measure is reported after adjusting for tax paid on behalf of policyholders and we believe provides the most useful measure of IFRS operating performance in the period.

The detailed IFRS result is shown on pages 80 to 124.

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Profit before tax	**21.3**	161.9
Policyholder tax	**88.4**	(77.7)
Profit before shareholder tax	**109.7**	84.2
Shareholder tax	**(2.9)**	(29.2)
Shareholder profit after tax	**106.8**	55.0

Profit before Tax

The profit before tax for the year was £21.3 million (2010: £161.9 million). The profit before tax is reported gross of policyholder tax as well as shareholder tax. The gross up for policyholder tax has moved significantly between the periods. As a result the principal contribution to the change in profit before tax in the year is the change in the policyholder tax from a £77.7 million charge in 2010 to a credit of £88.4 million in 2011.

Policyholder Tax

Policyholder tax mainly reflects the UK tax paid or payable in the future within the life business at the policyholder tax rate of 20%. Most of this tax arises on the £9.8 billion of policyholders' investment in the unit-linked life funds. The tax charge also reflects small amounts of other withholding tax incurred.

The policyholder tax principally reflects the movement in the tax provision within the policyholder unit linked funds. At the previous reporting date, there were unrealised capital gains within the funds, against which a deferred tax liability was established. As a result of the reduction in the stock market over 2011, the position has reversed and at the end of 2011 there was an unrealised loss in the funds, on which a deferred tax asset has been established. The market movement between the reporting dates has therefore resulted in a tax credit of £88.4 million.

By comparison, during 2010, there was an increase in stock markets, which resulted in a positive tax charge of £77.7 million.

Profit before Shareholder Tax

Adding back the movement in the policyholder tax, the profit before shareholder tax for the year was £109.7 million, up 30% on the prior year result of £84.2 million.

The key driver of the improved result was higher income from funds under management. During 2011, the average funds under management were more than £27.7 billion, and some 15% higher than the prior period.

A breakdown of the profit before shareholder tax by segment is provided in the following table:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life business	**89.1**	72.8
Unit Trust business	**27.8**	17.3
Distribution business	**6.1**	5.8
Other	**(13.3)**	(11.7)
Profit before shareholder tax	**109.7**	84.2

Life Business
The Life business profit for the year was £89.1 million (2010: £72.8 million) which was 22% higher than the prior year.

The principal contributor to this rise in profit was the higher income from funds, reflecting the growth in funds under management in recent years.

Unit Trust Business
The Unit Trust business profit for the year was £27.8 million (2010: £17.3 million) which was also higher than the same period last year.

As above, the principal contributor to this rise in profit was the higher income from funds, reflecting the strong growth in funds under management in recent years. In addition the profit in 2010 was negatively impacted by a £3.5 million levy from the Financial Services Compensation Scheme.

Distribution Business
The impact of distribution activity is separately identified from 'Other' operations. St. James's Place is a vertically integrated firm, allowing it to benefit from synergies of combined management of funds and distribution. Whilst the management of funds lies at the core of our profit, a further margin will arise from the distribution activity, depending upon the level of new business and expenses.

An increase in the income from new business activity resulted in a small change in the profit before tax generated by the distribution business in the year, increasing to £6.1 million (2010: £5.8 million).

Other
Other operations contributed a loss of £13.3 million (2010: loss of £11.7 million). Included within this figure is the cost of expensing share options of £10.5 million for the current period (2010: £8.2 million). The balance is made up of a number of small positive and negative items.

Shareholder Tax

The actual tax rate in each of the periods is impacted by stock market related timing differences and one off events such as the change in corporation tax rate. Therefore, to assist shareholders, the table below provides a high level analysis of shareholder tax, and a more detailed analysis is included in Note 8 to the financial statements.

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Expected shareholder tax	**24.5**	24.8
Market related tax effects	**(15.2)**	1.0
Other tax adjustments	**0.6**	7.0
Corporation tax rate change	**(7.0)**	(3.6)
Actual shareholder tax	**2.9**	29.2
Expected shareholder tax rate	**22.3%**	29.4%
Actual shareholder tax rate	**2.6%**	34.7%

The **expected shareholder tax** principally reflects the current corporation tax rate applicable and will vary from year to year depending upon the emergence of profit between the different tax regimes which apply to the St. James's Place Group companies. More detail is included in Note 8 to the financial statements.

During 2011 the stock market declined, resulting in investment losses within the life business and this **market related tax effect** has reduced the current year tax charge by £15.2 million.

The **other tax adjustments** will typically be small although in the prior year the higher adjustment was impacted by a release of a deferred tax asset associated with the pension business.

The impact of the **corporation tax rate change** on deferred tax assets and liabilities has reduced the tax charge in both years. The impact on shareholder tax in 2010 reflects a reduction of 1% in the corporation tax rate, from 28% to 27%. The impact in 2011 reflects a 2% reduction from 27% to 25% which will be the tax rate from April 2012.

The overall impact of these effects is to reduce the tax charge on an IFRS basis to £2.9 million (2010: £29.2 million).

Shareholder Profit after Tax

To assist in the understanding of the shareholder profit after tax, the tables and commentary below provide a further analysis of the result. These tables and commentary are presented by first starting with the cash result which is set out on pages 19 to 21.

Year Ended 31 December 2011	Notes	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	**129.4**	**(62.4)**	**67.0**
DIR amortisation	2	**82.9**	**5.4**	**88.3**
DAC amortisation	3	**(64.6)**	**(5.4)**	**(70.0)**
PVIF amortisation	4	**(2.8)**	**–**	**(2.8)**
DIR on new business	2	**–**	**(135.7)**	**(135.7)**
DAC on new business	3	**–**	**144.8**	**144.8**
Share options	5	**(10.5)**	**–**	**(10.5)**
IFRS deferred tax impacts	6	**16.4**	**–**	**16.4**
Other IFRS	7	**2.3**	**–**	**2.3**
Corporation tax rate change	8	**7.0**	**–**	**7.0**
Shareholder profit after tax		**160.1**	**(53.3)**	**106.8**

Year Ended 31 December 2010	Notes	In-Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	109.7	(61.4)	48.3
DIR amortisation	2	71.0	5.2	76.2
DAC amortisation	3	(55.2)	(5.2)	(60.4)
PVIF amortisation	4	(2.9)	–	(2.9)
DIR on new business	2	–	(124.9)	(124.9)
DAC on new business	3	–	137.9	137.9
Share options	5	(8.2)	–	(8.2)
IFRS deferred tax impacts	6	(8.0)	–	(8.0)
Other IFRS	7	(6.6)	–	(6.6)
Corporation tax rate change	8	3.6	–	3.6
Shareholder profit after tax		103.4	(48.4)	55.0

The profit after tax has increased by 94% from £55.0 million to £106.8 million. This reflects the higher underlying cash result but also a significant increase in deferred tax. Within the result, the post-tax profit from the in-force business at the start of the year increased to £160.1 million (2010: £103.4 million).

The loss associated with acquiring new business for the year was £53.3 million (2010: £48.4 million) and should be viewed as an investment for future profits. These profits will arise in future years as net annual management fees, less the amortisation of the associated deferred acquisition cost ("DAC") and deferred income ("DIR").

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, was £82.9 million (2010: £71.0 million) in the current year. 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 2012 is £95.3 million.
   (b) The deferral of the initial profit associated with new business sales in the period. In 2011, the deferred profit reduced the IFRS result by £135.7 million (2010: £124.9 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, was £64.6 million (2010: £55.2 million) in the current year. 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 2012 is £74.4 million.
   (b) The deferral of the specific acquisition costs, which were incurred in the current period, increased IFRS profits by £144.8 million (2010: £137.9 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. PVIF: 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 year was £2.8 million (2010: £2.9 million). The charge for 2012 is expected to be £2.4 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 tax benefits that are expected to emerge. This is not recognised in the cash result. In 2011, this figure was significantly higher than normal due to the establishment of an additional tax asset in respect of "excess E" arising in the tax calculation for the life business.
7. Other IFRS: This item reflects a number of other adjustments from the cash result. For instance, the cash result reflects the regulatory solvency requirement to hold prudent actuarial reserves, but these are not held in the IFRS result. Therefore movements in these reserves (generally related to movements in the stock markets) will impact the cash result but are reversed in the IFRS. There will be a small impact, either positive or negative, depending upon stock market movements, in future years.
8. Corporation tax rate change: the above adjustments are all shown net of deferred tax rates prevailing at the end of each year, and this £7.0 million (2010: £3.6 million) reflects the effect on the deferred tax assets of the change in the tax rate from 27% to 25%.

Analysis of IFRS Assets and Net Assets per Share

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

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Purchased value of in-force*	**34.8**	36.7
Deferred acquisition costs*	**659.0**	563.1
Deferred income*	**(446.6)**	(385.0)
Other IFRS net assets	**88.9**	75.9
Solvency net assets	**342.2**	295.6
Total IFRS net assets	**678.3**	586.3

* net of deferred tax

	Year Ended 31 December 2011	Year Ended 31 December 2010
	Pence	Pence
Net asset value per share	**137.5**	120.6

SECTION 2: EUROPEAN EMBEDDED VALUE (EEV)

Life business differs from most other businesses, in that the expected shareholder income from the sale of a product emerges over a long period in the future. We therefore complement the IFRS result by providing additional disclosure on an EEV basis. The EEV result brings into account the net present value of the expected future cash flows and we believe this measure is useful to investors when assessing the full economic value of the Group's operating performance.

The table below and accompanying notes summarise the profit before tax of the combined business. The detailed result is shown on pages 134 to 143.

Total operating profit for the year, at £371.5 million, was 12% higher than the 2010 result of £332.6 million.

The main contributors to this improved result were higher profits from new business and a strong positive experience variance in the life business.

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life business	**294.2**	256.8
Unit Trust business	**84.5**	81.7
Distribution business	**6.1**	5.8
Other	**(13.3)**	(11.7)
EEV operating profit	**371.5**	332.6
Investment return variance	**(180.4)**	117.6
Economic assumption changes	**(0.3)**	4.8
EEV profit before tax	**190.8**	455.0
Tax	**(42.5)**	(120.1)
Corporation tax rate change	**50.5**	17.7
EEV profit after tax	**198.8**	352.6

Life Business EEV Operating Profit

The life business operating profit has increased to £294.2 million in the year (2010: £256.8 million) and a full analysis of the result is shown below:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
New business contribution	**182.5**	157.9
Profit from existing business		
– unwind of the discount rate	**72.7**	74.0
– experience variance	**39.4**	24.8
– operating assumption change	**(2.7)**	(3.4)
Investment income	**2.3**	3.5
Life business EEV operating profit	**294.2**	256.8

The **new business contribution** for the year at £182.5 million (2010: £157.9 million) was over 15% higher than the prior year reflecting the higher volume of new business together with continued control over the growth in associated expenses.

The **unwind of the discount rate** was £72.7 million (2010: £74.0 million). The unwind is calculated by applying the year end discount rate to the opening value of in force (the value placed on the future cash flows of the business). As the discount rate is set by reference to the yield on a 10 year UK government gilt, the risk free rate, the 1.6% reduction in this yield during 2011 has resulted in a corresponding reduction in the discount rate.

Although, as usual, we have calculated the unwind using the discount rate at the end of the period we will change our approach going forwards so that the unwind is calculated using the opening discount rate. We believe this change will assist investors in forecasting our future results, and also bring our methodology in line with that used by other life companies.

Had the opening discount rate been used for the calculation then the unwind would have been £22.1 million higher (2010: £6.5 million higher) with a matching offset in the investment variance.

The combined **experience variance** in the year was a positive £39.4 million (2010: £24.8 million positive variance). A key contributor to the positive variance in both years was the continued strong retention of funds under management whilst the current year also recognised the benefit of a lower level of actual administration costs compared with the costs assumed in the embedded value calculation.

There was a small negative **operating assumption change** of £2.7 million, similar to the prior year (2010: £3.4 million negative variance).

The **investment income** for the year was £2.3 million (2010: £3.5 million) and reflects the assumed interest rate we earn on our free assets.

Unit Trust Business EEV Operating Profit

The unit trust operating profit was £84.5 million (2010: £81.7 million) and a full analysis of the result is shown below:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
New business contribution	**63.5**	59.9
Profit from existing business		
– unwind of the discount rate	**18.5**	19.5
– experience variance	**(1.3)**	1.6
– operating assumption change	**3.3**	–
Investment income	**0.5**	0.7
Unit Trust business EEV operating profit	**84.5**	81.7

New business contribution at £63.5 million (2010: £59.9 million) was 6% higher than the prior year as a result of the new business growth in the period and control of growth in associated expenses.

The **unwind of the discount rate** was £18.5 million (2010: £19.5 million). As noted above in the analysis of the Life business result, the reduction reflects the change in the discount rate, which in turn is derived from the fall in yields on 10 year UK Government gilt yields.

Had the figure been calculated using the opening discount rate then the unwind would have been £5.7 million higher (2010: £1.7 million higher).

There was a small negative **experience variance** of £1.3 million (2010: £1.6 million positive variance) which is accounted for by a number of small positive and negative items in both years.

There was a small positive **operating assumption change** of £3.3 million (2010: £nil) reflecting an assumption of lower future maintenance expenses.

Distribution Business and Other Operating Profit
The results from distribution and other operations have previously been commented on in the IFRS section.

Investment Return Variance
The investment return variance reflects the capitalised impact on the future annual management fees resulting from the difference between the actual and assumed investment returns – given the size of our funds under management a small difference between the actual and assumed investment return can result in a large positive or negative variance.

During 2011, world stock markets fell, with, for example, the MSCI £ world index decreasing by some 4.8%. The actual investment return on our funds during the year was negative, in line with the falls in world stock markets, and therefore it was lower than the assumed growth. Consequently there was a negative investment return variance of £180.4 million for the year.

In the prior year there was a positive investment variance of £117.6 million, reflecting investment growth which was higher than that assumed in the embedded value projection for the year.

Economic Assumption Changes
There was a small £0.3 million loss arising from changes in the economic basis adopted at the year end (2010: £4.8 million profit).

EEV Profit before Tax
The total profit before tax for the year was £190.8 million (2010: £455.0 million). The most significant contributor to the reduction was the change in investment return experience.

Tax
The tax charge at £42.5 million (2010: £120.1 million charge) was lower than 2010 reflecting both the lower profit before tax and the lower corporation tax rates in future.

Corporation Tax Rate Change
The 2011 Finance Act reduced the corporation tax rate from 27% to 26% from April 2011 and 25% from April 2012. The Government also re-affirmed its intention to make further cuts of 1% in each of the next two years.

Reflecting the commitment of the Government to these future changes, the embedded value now reflects both the enacted 2% reduction in corporation tax and the additional 2% of future proposed reductions.

The post-tax impact of adopting these changes has reduced the current year corporation tax charge by £50.5 million.

EEV Profit after Tax
The profit after tax was £198.8 million (2010: £352.6 million). The principal reason for the variation is the change in investment return variance.

New Business Margin

The insurance sector uses both Annual Premium Equivalent (APE) and Present Value of New Business Premium (PVNBP) measures to disclose new business performance.

APE is calculated as the sum of regular premiums plus 1/10th 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, which is calculated as the new business contribution, analysed in the previous section, divided by the relevant new business measure. This is presented as both a percentage of APE and PVNBP.

	Year Ended 31 December 2011	Year Ended 31 December 2010
Life business		
New business contribution (£'Million)	**182.5**	157.9
APE (£'Million)	**505.4**	457.2
Margin (%)	**36.1**	34.5
PVNBP (£'Million)	**4,023.2**	3,697.1
Margin (%)	**4.5**	4.3
Unit Trust business		
New business contribution (£'Million)	**63.5**	59.9
APE (£'Million)	**136.9**	124.6
New business margin (%)	**46.4**	48.1
PVNBP (£'Million)	**1,368.8**	1,246.2
Margin (%)	**4.6**	4.8
Total business		
New business contribution (£'Million)	**246.0**	217.8
APE (£'Million)	**642.3**	581.8
New business margin (%)	**38.3**	37.4
PVNBP (£'Million)	**5,392.0**	4,943.3
Margin (%)	**4.6**	4.4

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, increased from 4.3% to 4.5%, whilst on an APE basis, the margin increased from 34.5% to 36.1%. The increase in margin reflects not only the growth in new business being greater than the growth in expenses (the operational gearing), but also the impact of reduced Partner remuneration. This reduction reflects recent changes to equalise Partner remuneration between the life and unit trust business, as indicated in last year's Financial Commentary, and results in an offsetting fall in the unit trust business margin as noted below. There will be a further reduction in life business remuneration in 2012 which is likely to result in a further increase in the margin.

As noted above, the unit trust new business margin has reduced from 4.8% to 4.6% on a PVNBP basis and from 48.1% to 46.4% on an APE basis due to the impact of changes to equalise Partner remuneration. In respect of the unit trust business there are no further changes in remuneration anticipated in 2012 and therefore no further reduction in margin from this effect.

In addition to the new business profit arising in the 'manufacturing' companies the Group also makes a profit or loss within the Distribution business. Including the Distribution profit of £6.1 million (2010: £5.8 million), the combined margin arising on new business would be 4.7% (2010: 4.5%) on a PVNBP basis and 39.3% (2010: 38.4%) on an APE basis.

Analysis of the European Embedded Value and Net Assets per Share

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

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Value of in-force		
– Life	**1,251.5**	1,131.2
– Unit Trust	**305.8**	288.7
Solvency net assets	**342.2**	295.6
Total embedded value	**1,899.5**	1,715.5

	Year Ended 31 December 2011	Year Ended 31 December 2010
	Pence	Pence
Net asset value per share	**385.0**	352.9

SECTION 3: CASH RESULT AND CAPITAL

Cash Result

In addition to presenting the financial performance on the IFRS and EEV basis, we also provide an analysis of the sources of cash emergence in the year which we refer to as the cash result. This result is a key determinant used by the Board in determining the proposed dividend payments to shareholders.

The cash result is based on the IFRS result, but removes non-cash items such as DAC, DIR and deferred tax. It is also adjusted to reflect the regulatory solvency constraints on profits emerging from regulated companies such as our insurance businesses. The effect is a measure which more reflects the underlying cash emergence of the business, and which is available to pay dividends.

The cash result is a combination of the cash emerging from the business in force at the start of the year less the investment made to acquire new business during the period. Currently, a large proportion of the cash generated in a year from in-force business is re-invested in growing the business. However, as the business model matures, the strain of new business acquisition should reduce as a proportion of the total income, resulting in growth in the cash result.

As this cash result can be impacted by timing variances and capitalised impacts of changes in solvency requirements the table below includes an 'underlying cash result' stripping out these effects.

In 2011, the cash result was £67.0 million (2010: £48.3 million) which was 39% higher than the prior year. In both years there were timing and other variances and so, within these results, the underlying cash result was £63.0 million (2010: £40.9 million) up 54%.

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

Year Ended 31 December 2011	**Notes**	**Arising from business in-force at 1 January 2011**	**Investment in new business during year**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	**196.4**	**19.5**	**215.9**
Unwind of surrender penalties	2	**(69.3)**	**(7.0)**	**(76.3)**
Net income from funds under management		**127.1**	**12.5**	**139.6**
Margin arising from new business	3	**–**	**(1.2)**	**(1.2)**
Establishment expenses	4	**(7.2)**	**(65.0)**	**(72.2)**
Development expenses	5	**–**	**(3.3)**	**(3.3)**
FSA/FSCS Fees	6	**(0.6)**	**(5.4)**	**(6.0)**
Shareholder interest (regulated companies)	7	**2.9**	**–**	**2.9**
Shareholder interest (non-regulated companies)	7	**2.2**	**–**	**2.2**
Miscellaneous	8	**1.0**	**–**	**1.0**
Underlying cash result		**125.4**	**(62.4)**	**63.0**
Variance	9	**4.0**	**–**	**4.0**
Post-tax cash result		**129.4**	**(62.4)**	**67.0**

Year Ended 31 December 2010	Notes	Arising from business in-force at 1 January 2010	Investment in new business during year	Total
		£'Million	£'Million	£'Million
Net annual management fee	1	159.5	18.4	177.9
Unwind of surrender penalties	2	(56.5)	(6.5)	(63.0)
Net income from funds under management		103.0	11.9	114.9
Margin arising from new business	3	–	(2.6)	(2.6)
Establishment expenses	4	(6.6)	(59.8)	(66.4)
Development expenses	5	–	(4.2)	(4.2)
FSA/FSCS fees	6	(0.7)	(6.7)	(7.4)
Shareholder interest (regulated companies)	7	1.9	–	1.9
Shareholder interest (non–regulated companies)	7	1.4	–	1.4
Miscellaneous	8	3.3	–	3.3
Underlying cash result		102.3	(61.4)	40.9
Variance	9	7.4	–	7.4
Post-tax cash result		109.7	(61.4)	48.3

The commentary below provides an explanation of the movement for the year.

Notes

Since all numbers are expressed after tax, they are impacted by the prevailing tax rate for each year. In 2011 the tax rate has reduced by 2% compared to the prior year.

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% before tax (0.7% after tax) of funds under management.
The level of net annual management fee was some 21% higher than 2010. This increase is in line with the growth in funds under management which averaged £27.7 billion in 2011 compared to £24.2 billion in 2010.

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 and pensions. At the outset of the product 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.
Like the net annual management fee, the unwind of surrender penalties has increased due to growth in funds under management. 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.
In addition, the increase in the minimum pension age from 50 to 55 from March 2010 means this treatment can be applied to more of our pension business. As a result there has been an increase in the amount of the unwind of surrender penalties for 2011 compared to 2010, which now reflects a full year impact compared with 9 months in 2010.

3. Margin arising from new business: This is the cash impact of new business 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. The increase in the minimum pension age from 50 to 55 referred to above has reduced the proportion of this business.
The margin has also increased as a result of a reduction in initial Partner remuneration on Life business, introduced as part of the changes to equalise Partner remuneration.

4. Establishment expenses: These are the expenses of running the Group's infrastructure as shown in the table on page 24. In line with the rest of this table they are presented after allowance for tax.
These expenses were 5.8% higher in the current year. Since the analysis is presented after tax the increase reflects not just the 5.8% increase in these expenses but also the 2% reduction in corporation tax rate

5. Development expenses: these represent the expenditure associated with a significant development in our investment proposition together with the costs associated with training the Partnership towards full diploma qualification over the next couple of years.

6. FSA/FSCS Fees: This relates to the fees payable to the FSA and the FSCS for the year.

7. 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.

8. Miscellaneous: This represents the cash flow of the business not covered in any of the other categories. It will include miscellaneous product charges and the income and expenses included within the other operations of the business.

9. Variance: This reflects variances in the cash result in a year due to the impact of actual experience on insurance reserves, as well as variances in the settlement of tax related liabilities between the policyholders (unit-linked funds), the shareholder and HMRC.

Return on In-force Business

As shown in the tables above, the return on the in-force business is mainly driven by the level of the annual management fees, the unwind of the surrender penalties, and the level of expenses.

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). Looking forward, funds under management at the start of 2012 are £28.5 billion. If we were to repeat the net inflows of £3.3 billion achieved in 2011 and if stock markets remained flat, then the average funds under management for 2012 would be £30.1 billion – some 9% higher than the same figure for 2011. This growth would then feed through into an increase in the return on the in-force business.

In addition, a proportion of the new business has a surrender penalty which unwinds during the first six years, meaning that this business does not contribute to the cash result until year seven. The table below provides an estimated breakdown of the single premium business over the last six years where these surrender penalties apply. These premiums are not yet generating income within the cash result.

Year	With surrender penalties
	£' Billion
2006	1.3
2007	1.6
2008	1.4
2009	1.6
2010	2.1
2011	2.2
Total	10.2

The total business not yet contributing to the cash result is £10.2 billion* or just over a third of the total funds under management at 31 December 2011. Once this business reaches the end of the surrender period the cash result will increase. For illustration purposes, if all the business was now at this level of maturity then the annual post-tax cash result (based on 0.7% post-tax earnings from funds under management) would be some £71.3 million higher*.

*ignores stock market movements and outflows since the date of original client investment

The Board therefore expect the cash earnings from the in-force business to increase as funds under management grow and the business matures.

Return on Investment in New Business

As noted in the table on page 15, £62.4 million (2010: £61.4 million) of the cash arising from the in-force business has been re-invested in acquiring the new business during the year.

This investment in new business will generate income in the future that should 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:

	Year Ended 31 December 2011	Year Ended 31 December 2010
Post-tax investment in new business (£'Million)	**(62.4)**	(61.4)
Post-tax present value of expected future cash returns (£'Million)	**253.5**	222.7
Post-tax present value of expected profit from investment (£'Million)	**191.1**	161.3
Gross inflow of funds under management (£'Billion)	**5.2**	4.7
Investment as % of gross inflow*	**1.2%**	1.3%
New business margin (% of APE)	**38.3%**	37.4%
Cash payback period (years)	**5**	5
Internal rate of return (net of tax)	**20.6%**	19.6%

* The investment as a percentage of net inflow of funds under management was 1.9% compared with 2.0% for the prior year.

The cost of this re-investment to acquire new business is not expected to increase significantly and therefore the proportion of cash generated from the in-force business available to pay dividends to shareholders is expected to expand.

Capital Position

The capital position of the Group, calculated on the regulatory basis ('solvency net assets') and allowing for the regulatory solvency requirement, is shown in the table below.

The Group continues to be well capitalised in excess of the solvency requirements and the assets remain 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 market volatility, reflecting the low 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	165.4	31.3	145.5	342.2
Solvency requirement	41.9	11.9		
Solvency ratio	395%	263%		
Analysis of solvency net assets				
UK government gilts	80.1	–	–	80.1
AAA rated money market funds	138.1	36.0	33.7	207.8
Bank balances	(32.9)	32.9	46.5	46.5
Liquid assets	185.3	68.9	80.2	334.4
Fixed assets	–	–	5.4	5.4
Actuarial reserves	(31.1)	–	–	(31.1)
Other assets and liabilities	11.2	(37.6)	59.9	33.5
Solvency net assets	165.4	31.3	145.5	342.2
Reconciliation to IFRS net assets				
Solvency net assets	165.4	31.3	145.5	342.2
– Purchased VIF	34.8	–	–	34.8
– DAC and DIR	238.3	(25.9)	–	212.4
– Other	88.9	–	–	88.9
Total IFRS net assets	527.4	5.4	145.5	678.3

Included within the 'other' capital resources is an implied reserve that is being built up to cover one years' dividend cost. At 31 December 2011 the amount set aside to date was £30.0 million compared to a full year dividend cost of £40.0 million.

Analysis of Liquid Assets

As noted in the table above the Group has liquid assets of £334.4 million and these amounts are held in Government backed debt, AAA rated money market funds and bank deposits. A further analysis of the holdings is provided below.

Holding name	£'Million	£'Million
UK government gilts		
5.25% UK Treasury 07/06/2012	7.1	
2.5% UK Treasury Index Linked 26/07/2016	12.1	
2.5% UK Treasury Index Linked 17/07/2024	17.9	
2% UK Treasury Index Linked 26/01/2035	22.2	
4.25% UK Treasury 07/12/2055	4.7	
3.5% War Loan	16.1	80.1
AAA rated money market funds		
BlackRock	49.5	
HSBC	23.1	
Insight	57.5	
Invesco AIM	20.2	
RBS	50.5	
Santander	7.0	207.8
Bank balances		
UK banks*	43.1	
Santander	2.5	
Others	0.9	46.5
		334.4

* HSBC, Barclays, Lloyds TSB, Bank of Scotland, RBS and NatWest.

Solvency II

We continue to prepare for the adoption of the new EU Solvency II requirements. Based on the proposed rules, the Group will not be adversely impacted by these new requirements and we expect to see a reduction in the total capital we are required to hold for regulatory purposes.

Share Options Maturity

At 31 December 2011 there were 20.9 million share options outstanding under the various share option schemes which, if exercised, will provide up to £49.1 million (2010: £59.2 million), of future capital for the Company.

The table below provides a breakdown by date and exercise price.

Earliest date of exercise	Average exercise price	Number of share options outstanding	Potential proceeds
	£	Million	£' Million
Prior to 1 Jan 2012	2.42	18.9	45.7
Jan – Jun 2012	1.50	1.4	2.2
Jul – Dec 2012		–	–
Jan – Jun 2013	2.04	0.3	0.5
Jul – Dec 2013		–	–
Jan – Jun 2014	2.42	0.3	0.7
		20.9	49.1

There are also 3.2 million options outstanding under the Partner performance share plan exercisable at the 15p nominal share price, which could result in a further £0.5 million of proceeds by the end of 2013.

SECTION 4: OTHER MATTERS

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

Expenses

The table below provides the usual breakdown of the expenditure (before tax) for the combined financial services activities.

	Notes	Year Ended 31 December 2011	Year Ended 31 December 2010
		£' Million	£' Million
Paid from policy margins			
Partner remuneration	1	**276.7**	247.9
Investment expenses	1	**92.5**	87.7
Third party administration	1	**33.5**	33.4
		402.7	369.0
Direct expenses			
Other new business related costs	2	**54.5**	49.5
Establishment costs	3	**95.0**	89.8
Development costs	4	**4.5**	5.7
FSA/FSCS levy	5	**8.0**	10.3
Contribution from third party product sales	6	**(13.5)**	(13.8)
		148.5	141.5
		551.2	510.5

The growth in establishment expenses during the year was 5.8%, slightly above our original expectations of 5%. In 2012 we expect establishment expenses to grow by 5%, and in addition we will be investing c.£3.0 million in re-launching the St. James's Place Academy and other initiatives.

The development expenses were £4.5 million during the year and we expect a further cost in 2012 of £5 to 6 million.

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.
   During 2011 we negotiated a reduction in the tariff payable to a number of the outsourced providers and consequently the relevant cost for the year was at a similar level to 2010, despite the higher level of new business and the growing in-force business.
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 training the Partnership towards their diploma qualifications over the next couple of years.
5. The FSA / FSCS costs represent the fees payable to the FSA of £4.5 million (2010: £4.1 million) together with our required contribution to the Financial Services Compensation Scheme of £3.5 million (2010: £6.2 million).
6. Contribution from third party product sales reflects the net income received from wealth management sales of £3.5 million (2010: £4.2 million), sales of stakeholder products of £1.5 million (2010: £1.0 million) and sales through the Protection Panel of £8.5 million (2010: £8.6 million).

During the current year, £6.6 million of software development costs have been capitalised as an intangible asset in accordance with IAS 38. This asset will be amortised over the following four years.

Life Taxation Changes

The taxation rules for life assurance companies are expected to change from 1 January 2013. The main change is to move the basis of assessment of corporation tax from the regulatory return to the IFRS result. Based on the proposed rules, the Group will not be adversely impacted by these new requirements, although the timing of settlement of tax may be advanced marginally.

Movement in Funds under Management

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

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Billion	£'Billion
Opening funds under management	**27.0**	21.4
New money invested	**5.2**	4.7
Investment return	**(1.8)**	2.6
	30.4	28.7
Regular withdrawals / maturities	**(0.5)**	(0.5)
Surrenders / part surrenders	**(1.4)**	(1.2)
Closing funds under management	**28.5**	27.0
Implied surrender rate as % of average funds under management	**5.2%**	5.0%
Net inflow of funds	**3.3**	3.0
Net inflow as % of opening funds under management	**12.2%**	14.0%

Shareholders will be pleased to note that the continued strong retention of funds under management, together with the level of new money invested, provides for net fund inflow of £3.3 billion. This is 10% higher than the £3.0 billion for last year.

This net inflow represents 12.2% (2010: 14.0%) of opening funds under management and can be viewed as the organic growth in funds.

Noted below is an explanation of regular withdrawals, maturities and surrenders.

The regular withdrawals represent those amounts selected by clients 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 reflects only recent experience. Whilst it could be compared with the long-term assumptions underlying the calculation of the embedded value, it should not be assumed that small movements in this rate will result in a change to the long-term embedded value assumptions.

Concluding Remarks

As I commented at the start of this statement, 2011 has seen a strong operating performance with an increase in all key profit measures. The performance is particularly pleasing given the difficult trading conditions in the second half of the year as the Euro crisis unfolded and stock markets became very volatile.

Looking forward, we believe the business has demonstrated its resilience to difficult trading conditions over the last few years, and as the business matures we expect further growth in the cash result.

Andrew Croft
Chief Financial Officer
21 February 2012

Business Review

Risk and Risk Management

Introduction

The mechanisms for identifying, assessing, managing and monitoring risks are an integral part of the management processes of the Group. Understanding the risks we face, and managing them appropriately, enables effective decision-making, contributes to our competitive advantage, helps us to achieve our business objectives and protects the interests of our various stakeholders.

In the following sections, we outline the framework for the management of risk in the Group. We provide detail on the main strategic risks facing the business and associated management activity, followed by individual sections on:

– Market Risk (on page 32)
– Credit Risk (on page 34)
– Liquidity Risk (on page 35)
– Insurance Risk (on page 35)
– Operational Risk (on page 36)

The sections marked with an asterisk (*) are subjected to audit by PricewaterhouseCoopers LLP.

Risk Appetite Statement

The Board is ultimately responsible for setting the framework within which risk is managed at St. James's Place ("SJP"). At the centre of this framework is our Risk Appetite Statement.

In our Risk Appetite Statement, the Board clearly sets out our 'risk boundaries' – a specification of the types of risks the Group is willing to take and to what extent. The Statement is regularly reviewed and updated by the Board to ensure that it remains current and continues to take account of the implications of any significant emerging or topical risk.

Some examples of activities that our Risk Appetite Statement currently explicitly prohibits are:

– Providing guarantees on investment returns, or options for unit-linked funds
– Manufacturing any general insurance or lending products, or assuming insurance or credit risk arising from them, other than PI insurance manufacture through a captive arrangement
– The sale of with-profits business

Risk Policies

In support of our Risk Appetite Statement, we have a number of formal Risk Policies which clearly establish our objectives, principles and high level management activity in relation to each of the main areas of risk that the Group faces. When analysing risk, we use these categories to help improve understanding of our exposure.

During 2011 we have continued to run scenario and reverse stress test analysis within the Group to inform our risk appetite and risk limits.

The Risk Committee and Group Risk Function

Overseeing our risk management framework is the Risk Committee. The Risk Committee is made up of Non-executive Board members responsible for ensuring that a culture of effective risk identification and management is fostered across the Group. The Committee is also responsible for reviewing and assessing corporate, emerging and topical risks. Further information setting out the activities of the Risk Committee is set out on pages 63 and 64.

The Risk Committee is supported by a central Group Risk function, whose primary role is to ensure that an appropriate risk management framework is in place, that it is fit for purpose and is working as intended. The Group Risk function is responsible for the ongoing development and co-ordination of risk management within SJP such as preparing for the implementation of Solvency II, developments to the FSA's corporate governance requirements, and consolidation, reporting and, where appropriate, escalation of risk related management information.

The Risk Committee is also supported in its oversight of risk by the Audit Committee which periodically reviews the Risk Schedules and the SJP UK Individual Capital Assessment. This support helps to ensure that there is sufficient independent challenge in relation to the identification, measurement and management of our risks.

Risk Management Framework

The risk management framework enables the continual identification and assessment of risks that may impact on the successful delivery of our Group business objectives. Changing business conditions and the decisions taken by the Board in running business operations may alter the status of risks identified and also assist in the identification of new risks. The risk assessment process supports this ongoing identification and assessment of risk.

Corporate Risk Schedules and quarterly Key Risk Indicator reports are produced to facilitate the monitoring of risks by the Risk Committee and Board. The Risk Management and Finance functions also monitor risk capital on a regular basis and report on financial risk through the Individual Capital Assessment process and stress, reverse stress and scenario testing processes.

An annual risk management review is conducted by the Risk Management Function which provides an overview of group risk experience during the year and an opinion on the continued appropriateness of the risk management framework. This report is submitted to the Risk Committee for review and any changes required are approved on behalf of the Board.

This continual process for identifying, evaluating and managing the significant risks faced by the Group has been in place for the year under review and up to the date of approval of the annual report and accounts. The process is regularly reviewed by Risk Committee on behalf of the Board and accords with the Guidance for Directors on the UK Corporate Governance Code.

Principal Risks and Uncertainties

At the time of preparing this report, there are a number of principal risks and uncertainties that are inherent within both the Group's business model and the market in which we operate. These principal risks and uncertainties, and the high level controls and processes through which we aim to mitigate them, are as follows:

Risk	*Description*	*Management*
Distribution capability	The Group's distribution strength may be eroded due to an inability to recruit and retain Partners of the appropriate quality.	We employ a number of specialist managers specifically to manage the recruitment and retention of high quality Partners. Formal retention strategies are in place to ensure that, wherever possible, we retain good quality and experienced Partners. All recruitment and retention activity is closely monitored. We have also re-started the SJP Academy, overseen by a dedicated senior management team, to broaden our recruitment streams.
Advice	Advice given by an individual Partner or authorised by the Group is deemed unsuitable leading to redress, costs and potential reputational damage.	Advice guidelines are agreed by technical specialists and reviewed by Group management. These guidelines are supported by Training and Accreditation arrangements that have been established, with close compliance monitoring to ensure advice guidelines are followed. Appropriate incentives exist to promote Partner compliance, whilst those failing to do so are subject to censure and other sanctions. The Group also has adequate professional indemnity cover in place.
Investment Management Approach	Our approach to investment management may fail to deliver expected returns to clients of the Group.	We actively manage and monitor the performance of our investment managers through the Investment Committee and a firm of professional external advisers – Stamford Associates. Our fund range was broadened further during 2011 to help better mitigate sales, persistency and market risks by increasing diversification.
Outsourcing	The Group's dependence on outsourcing may come under threat should any of its key investment management or administration business partners decide to exit the market, significantly revise their strategy or fail.	We maintain close working relationships with our outsourced business partners and should have sufficient warning of any material changes that may significantly impact upon our business model. All relationships are governed by formal agreements with adequate notice periods and full exit management plans. Strong alternative providers exist in the market. Business continuity arrangements have been developed and scenario analysis carried out.

Risk	Description	Management
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.	We closely monitor competitor activity and the market place, for signs of any potential new entrants or threats, for example, RDR causing crowding of the high net worth market place as firms concentrate on more profitable income streams. As noted above, we also have a proven track record in Partner acquisition and retention, which we believe would make it difficult for a new entrant to challenge SJP's position. Established SJP Partners have significant equity stakes in their practices and these are structured to aid retention.
Regulatory, legislative and tax environment	Changes in the wider regulatory environment, supervisory approach or legislative and tax environments could have an adverse impact on the Group's business.	Governance structure, management committees and active management of the FSA relationship provides intelligence and tools to mitigate the impact of operating in a highly regulated sector. Membership of appropriate trade bodies also provides intelligence on the nature and possible effect of proposed changes. The Group has also engaged the services of public relations and communications consultants Cicero, Tulchan and Broadgate Mainland.
Retail Distribution Review	Changes arising from the Retail Distribution Review, particularly in relation to professionalism and adviser charging, adversely impact the Group.	The Group is ahead of target on plans to move the Partnership towards achieving Diploma status by the December 2012 deadline. Good progress is also being made on implementing our approach to the new adviser charging regime, and we have been actively engaged with the FSA throughout 2011. A further risk for advice providers is that clients will be able to "switch-off" payment for ongoing advice. This will have little direct impact on the business, although it could affect our Partners. However, the strength of client relationships, on which our business is built, will mitigate this effect.
Lloyds Banking Group (LBG)	The uncertainty surrounding continued Lloyds Banking Group ownership in terms of business strategy and rationalisation within the combined group has the potential for substantial impact upon SJP's business.	The LBG's CEO strategic review findings were reported to the market on 30 June 2011 and we still do not expect an imminent change in the LBG holding or relationship. Good communication is maintained with the LBG Board.
Eurozone failure	The impact of one or more Euro area countries defaulting or being forced to exit is uncertain and could adversely impact the Group.	In relation to any shareholder asset exposure, our internal Treasury function constantly monitors the credit ratings of our significant counterparties and assets, and our exposure to sovereign debt. However, the risk can extend more widely and the Group has engaged in a process of identification, analysis and management of the heightened Eurozone risk. In practice we do not believe we are directly exposed to a material extent, as we do not actively pursue credit risk.

Other Key Risks and Uncertainties

In addition to the principal risks and uncertainties mentioned above there are other key risks and uncertainties that are inherent within the business and markets in which we operate. At the time of preparing this report the other key risks and uncertainties facing the business, and the high level controls and processes through which we aim to mitigate these risks, are as detailed below under the relevant risk categories.

Strategic Risk

Risk	*Description*	*Management*
Culture	Developments in the industry, or in the scale of SJP's business, have an adverse effect on SJP's culture and, ultimately, the continuing success of the business.	We have a range of strategic mechanisms in place including, for example, regular surveys and consultation groups, which enable us to monitor the sentiment of our staff and Partners, identify any adverse or potential adverse impacts upon our culture and allow us to take appropriate action.
Economic environment	A major and prolonged economic downturn and/or stock market crash leads to a failure to meet targets and to a significant under-performance of our business plan.	We closely monitor the achievement of our business plan, the performance of the markets and consumer confidence through the use of daily Management Information circulated to senior management. This helps to identify early signals of a market decline, so that we can manage expenses and strategy appropriately, as developed in our scenario planning. We currently monitor the potential crystallisation of operational, market and credit risks resulting from a prolonged collapse in consumer confidence or economic and financial problems in the Eurozone to ensure our exposure is minimised.

Market Risk *

Market risk is the impact a fall in the value of equity or other asset markets may have on the business. The Group adopts a risk averse approach to market risk, with a stated solvency policy of not actively pursuing or accepting market risk except where necessary to support other objectives.

The Group seeks to manage market risk by undertaking unit linked business, whereby the client bears the market risk in the search for investment return. This strategy mitigates any risk to the Group associated with being unable to meet clients' liabilities. However, a reduction in the market value of the unit linked funds would affect the annual management charges paid to the Group, since these charges are based on the market value of funds under management. An associated reduction in investment returns could also result in the deferral of tax relief on UK life business expenses. Indirectly, a reduction in market levels could also be associated with a reduction in the volume of new business sales. The Group accepts the risk associated with variations in the level of future profits arising from market risk.

Management of Market Risk *

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

Risk	*Description*	*Management*
Client liabilities	As a result of a reduction in equity values, the Group may be unable to meet client liabilities.	This risk is substantially mitigated by the Group's strategic focus on unit-linked business, by not providing guarantees to clients on policy values and by the matching of assets and liabilities.
Tax	In adverse market conditions, when the Group is realising investment losses rather than gains, the working of the I-E tax regime can lead to short-term capital inefficiencies, including the deferral of cash benefit of tax relief on expenses.	The tax position is monitored closely, in particular the size and sources of relevant income streams.
Retention	Loss of future profit due to more clients than anticipated withdrawing their funds, particularly as a result of poor performance in the financial markets.	Retention is closely monitored and unexpected experience is investigated. Retention has remained consistently high throughout the period, despite the challenging economic environment and volatility, and, at the time of writing this report, remains at its long-term level of 95%.
New business	Poor performance in the financial markets in absolute terms, and relative to inflation, leads to existing and future clients rejecting investment in longer-term assets.	The benefit of longer-term equity investment in a range of riskier financial assets is fundamental to the business model. Advice and marketing remain valid even when market values fall; however, greater attention is required to support and give confidence to existing and future clients in such circumstances, and this is taken account of by the Group in its activities.

Credit Risk *

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit. Credit risk also arises from holdings of cash and cash equivalents, deposits and formal loans with banks and financial institutions.

The Group has adopted a risk averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

The Group's exposure to credit risk is mitigated by a number of policies including the SJP Group Credit Policy and SJP Group Reinsurance Policy.

Management of Credit Risk *

The table below summarises the main credit risks to which the business is exposed and the methods by which the Group seeks to mitigate them. Detail of exposure is included in the Financial Commentary.

Risk	***Description***	***Management***
Shareholders' assets	Loss of assets	Shareholder funds are invested in AAA rated unitised money market funds and deposits with approved banks. The Group has no direct exposure to holdings of sovereign debt of Portugal, Italy, Ireland, Greece or Spain. Maximum counterparty limits are set for each company within the Group and aggregate limits are also set at a Group level.
Investment matching of non-linked liabilities	Loss of value of assets	These liabilities are matched by fixed interest securities with minimum AAA credit ratings; maximum counterparty limits for such holdings are again set for each company within the Group and at an aggregate Group level.
Reinsurance	Failure of counterparty or counterparty unable to meet liabilities	It is necessary for the credit ratings of potential reinsurers to meet or exceed minimum specified levels. Consideration is also given to size, risk concentrations/exposures and ownership in the selection of reinsurers. The Group also seeks to diversify its reinsurance credit risk through the use of a spread of reinsurers.
Partner loans and advances	Inability of Partners to repay loans or advances from SJP	Loans and advances are managed in line with the Group's secured lending policy. All loans are secured on the future renewals income stream expected from a Partner's portfolio and loan advances vary in relation to the projected future income of the relevant Partner. Outstanding balances are regularly reviewed, assessed on a conservative basis and support is provided to help Partners manage their business appropriately. Appropriate provision is made where there is objective evidence of impairment.

Liquidity Risk *

Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives. The Group is subject to minimal liquidity risk since, in relation to shareholder assets, it maintains a good level of highly rated liquid assets to meet its liabilities, and does not rely on recourse to the market. Additional detail is provided on these assets in the Financial Commentary. Policyholder liabilities are also typically invested in liquid assets. However, where a fund is exposed to liquidity risk, the fund management will include processes for managing loss of liquidity, including the possibility of deferral of dealing.

Currency Risk *

The Group is not subject to any significant currency risk since all material shareholder financial assets and financial liabilities are denominated in sterling.

Insurance Risk *

The Group assumes insurance risk by issuing insurance contracts under which the Group agrees to compensate the client (or other beneficiary) if a specified future event (the insured event) occurs. The Group insures mortality and morbidity risks but has no longevity risk as we have never written any annuity business.

The Group has a medium appetite for insurance risk, only actively pursuing it where financially beneficial, or in support of strategic objectives. We seek to manage insurance risk through the use of reassurance, reviewable contract terms, regular pricing reviews and underwriting controls.

The terms and conditions of the insurance contracts offered by the Group and the operation of our reassurance programme determine the level of risk accepted by the Group. The general terms and conditions of the main insurance contracts and the main insurance risks are set out in the table below. The Group has no with-profit contracts.

Category	*Essential Terms*	*Risks Generated*	*Client Guarantee*
Unit linked reviewable assurances	Deductions from units pay for benefits. Deductions are reviewable at any time.	Expense	No significant guarantees
Conventional reviewable assurances	Regular premiums pay for benefits. Premium level is reviewable every fifth policy anniversary.	Mortality, morbidity, expense	Premium level guaranteed between reviews
Conventional guaranteed assurances	Premium level fixed throughout life.	Mortality, expense	Premium and benefit level guaranteed

Management of Insurance Related Risk *

The table below summarises the main insurance risks to which the Group's insurance business is exposed and the methods by which the Group seeks to mitigate them.

Risk	*Description*	*Management*
Underwriting	Failure to price appropriately for a risk, or the impact of anti-selection.	The Group ceased writing new protection business in April 2011. Experience is monitored regularly. For most business the premium or deduction rates can be re-set.
Epidemic/ disaster	An unusually large number of claims arising from a single incident or event.	Protection is provided through reassurance.
Expense	Administration costs exceed expense allowance.	Administration is outsourced and a tariff of costs is agreed. The contract is monitored regularly to rationalise costs incurred. Internal overhead expenses are monitored and closely managed.
Retention	Loss of future profit due to more clients than anticipated withdrawing their funds.	Retention is closely monitored and unexpected experience is investigated. Retention has remained consistently high throughout the period, despite the challenging economic environment and volatility, and, at the time of writing this report, remains at its long-term level of 95%.

Operational Risk

Operational risk is the risk arising from inadequately controlled internal processes or systems, human error and from external events. This includes all risks that we are exposed to, other than the prudential risks described above, including in particular retail conduct risks arising from the regulatory environment within which the Group operates. The Group has a medium appetite for operational risk, only accepting it where necessary to support other objectives, and seeks to manage it through outsourcing and close management of the Partnership. Operational risks that could affect SJP include:

- Regulation, information technology, financial crime (which includes the new offences introduced by the Bribery Act), business protection, human resources, outsourcing, purchasing, communications and legal contracts and obligations
- Brand value degradation
- Product development process failure
- Advice, sales management and distribution
- Financial processes including financial reporting and taxation
- External events and developments affecting the Group's markets and operations

Each division of the Group is responsible for identifying, managing and reporting its operational risks as part of the quarterly risk reporting process. There is an Operational Risk Policy which expresses the Group's appetite for this risk category and provides the business with guidance on how to manage this type of risk. Each risk is assessed by considering its potential impact and the probability of its occurrence. Impact assessments are made against financial and non-financial metrics. This is consistent with the assessment of all other types of risk as described in the SJP Risk Management Framework document.

Management of Operational Risk

In addition to the operational risks identified in the principal risks and uncertainties disclosed at the start of this section of the report and accounts, there is one further key operational risk to which the business is exposed. The table below summarises this risk and the methods by which the Group seeks to mitigate it.

Risk	*Description*	*Management*
Regulatory censure	That the Group could face a fine or regulatory censure should it fail to comply with applicable regulations.	We seek to maintain open and mutually beneficial relationships with our regulators. We have a range of compliance monitoring activities designed to ensure we remain compliant with all applicable regulations.

Corporate Social Responsibility Report

St. James's Place is committed to growing the business in a way that considers the economic, social and environmental impacts of what we do. We understand that responsible management is increasingly important to all our stakeholders – shareholders, clients, Partners, employees, suppliers and the communities in which we operate.

Mike Wilson
Chairman
St. James's Place Foundation

This report provides information on how we manage Corporate Social Responsibility (CSR) at St. James's Place and identifies the key areas where we have made a positive impact during the year.

We are pleased that St. James's Place continues to be included in the FTSE4GOOD Index which comprises companies that meet globally recognised corporate social responsibility criteria.

CSR GOVERNANCE

St. James's Place's CSR programme is overseen by the Executive Committee of the Board, comprising the four Executive Directors, who in turn, delegate the management of some of the Group's CSR activities to specialist sub-committees, comprising senior employees and Partners from across the business. For example, the Group's charitable activities are assisted by the Foundation Committee and environmental matters are considered by a separate working group. Further details of the work of these Committees are set out in this Report.

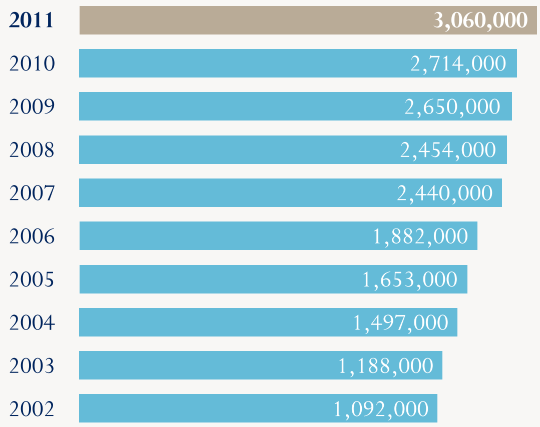
ST. JAMES'S PLACE FOUNDATION

The St. James's Place Foundation was established in 1992, in the same year that the Group began trading. Since then, the Foundation has become one of the most successful company charities in the UK. The Foundation has operated as an unincorporated trust since 1992. However, due to the substantial increase in the size and scope of the charity, the assets and liabilities of the trust were transferred to a new company limited by guarantee, with effect from 1 January 2012 and the trust is in the process of being wound up. The board of the new company, the St. James's Place Foundation Limited (charity number 1144606), comprises the four Executive Directors as well as Malcolm Cooper-Smith, Hugh Gladman and Mike Wilson (as Chairman, pictured opposite).

While the Board of the Foundation is responsible for all activities carried out by the Foundation, many of the decisions are delegated to a Committee made up of representatives from each office in the UK, which reviews grant applications and makes recommendations to the Board about grant making and other issues.

The Foundation is a grant-making charity with a difference. It relies on the support it receives from the entire SJP community, including employees, Partners, suppliers, fund managers and other third parties connected to the Group. Over 80% of all the Partners and employees make regular monthly donations out of their income or salary to the Foundation and also help to raise funds from events and sponsored activities. Since 1999, St. James's Place has matched the funds raised by its Partners and staff, pound for pound, helping to raise over £23.0 million since 1992. In 2011, the Foundation had its most successful year, raising in excess of £3 million and donating £3.4 million to UK registered charities operating both in the UK and abroad. In addition, the Foundation has conditionally committed a further £2.9 million to various charities in 2012 to 2014.

Income Since 2002



The St. James's Place Community Receives Government Recognition

We are particularly proud of the fact that more than 80% of our staff and members of the St. James's Place Partnership make monthly contributions to the Foundation from their earnings. To our knowledge, we are unique in the UK in having such a high proportion of our own community giving regularly in this way. In 2011, this was recognised in the Government's White Paper on Giving, which features St. James's Place as a 'Giving in the Workplace' case study, hailing our covenant scheme as 'hugely successful' and commenting: "We are delighted that St. James's Place Wealth Management and others are already leading the way by so proactively promoting a culture of payroll giving".

The St. James's Place Foundation Giving Programme

Since the outset, the Foundation has been keen to support small to medium-sized charities that can benefit substantially from relatively small grants. The rapid growth in the funds raised has meant that the Foundation has been able to extend its support in recent years through a Major Grants Programme, donating anything from £10,000 to (exceptionally) in excess of £1 million to medium-sized charities.

In 2011, the Foundation made awards to 464 UK charities, broken down as follows:

2011 Awards	Number of Awards	Amount Donated
		£' Million
Major Grants (grants above £10,000)	**44**	**1.5**
Small Grants (up to £10,000)	**118**	**1.2**
Local Office Grants (small one off grants of no more than £2,500)	**287**	**0.4**
Donations to charities (outside our grants programmes)	**15**	**0.3**
Total		**3.4**

The vast majority of the awards made by the Foundation are donated to good causes which fit in with the giving priorities chosen by the SJP community. In 2011, these themes were helping children and young people who have special needs or who are disadvantaged, supporting the hospice movement and people affected by cancer.

Our main giving theme is 'Cherishing the Children' and in 2011, a total of £2.3 million was donated to fund projects assisting children with disabilities, illness or life limiting conditions as well as those who are disadvantaged either socially or economically or are struggling to reach their full potential.

Two examples of the charities we have supported through our Cherishing the Children theme are set out below:

National Star College in Gloucestershire

The National Star College is an independent specialist college working with young people who have physical, sensory or learning disabilities from across the UK. In September 2011, the new student residence at the College was officially opened. The Foundation donated a total of £656,000 towards this project following on from the previous grant of £10,000 for a multi sensory room in 2007.

The student residence is now home to six students in single en-suite study bedrooms and four students in independent living studio flats. The new studio flats offer students the opportunity to try out how it feels to live with minimum support, and is particularly useful for students aiming to live independently with support when they leave the College.

Case Study

Alex, aged 22, moved into one of the studio flats when it opened in April 2011. Alex has complex disabilities, uses a powered wheelchair which he is able to drive independently, and communicates through a communication device.

Alex has made great progress during his short time in the studio flat. He quickly learnt to use the assistive technology and began to help cook meals for himself and other students.

When Alex leaves the College he would like to return to his home area to live with other young people in supported housing where he can direct his own care support and be involved in making choices. Attending the College and having access to the specialist facilities, made possible by the St. James's Place Foundation, has given Alex the confidence and the skills to make this possible.

Hope and Homes for Children

Hope and Homes for Children is a UK charity operating in some of the poorest parts of the world, helping children and young people who have been orphaned or abandoned. The Foundation has supported the charity over the last 10 years, donating in excess of £4 million in this time.

In 2011, the Foundation committed £850,000 to assist Hope and Homes for Children to close an outdated orphanage in Makiriv (near Kiev). The brand new social services centre called Ray of Hope, a small family home and a mother and baby unit all provide holistic support services to hundreds of children and their families. Overall the project will impact on the lives of over 600 children and young people and their families.

Fundraising in 2011

The Foundation continues to be reliant on the incredible generosity of the St. James's Place community, both in terms of sums donated but also the time set aside to attend or organise events in support of the Foundation. In 2011, Partners and employees of St. James's Place raised over £3 million including Company matching and gift aid, an increase of 11% on the £2.7 million raised in 2010. This takes our total fundraising since the formation of the Foundation in 1992 to just over £23 million.

Funds donated and raised come from the following sources:

- Fundraising, donations & event income - £1 million
- Regular monthly donations from Partners and employees - £0.6 million
- Company matching - £1.3 million
- Gift Aid and Interest - £0.2 million

As well as giving regularly by covenant, many Partners and employees also raise significant sums by taking part in organised events or by creating their own fundraising events, from walks and cycle rides to mountain treks, triathlons, talent competitions and quiz nights. Some of the events in 2011 are highlighted here:

Cork to Dublin Cycle Ride! Members of the St. James's Place community cycled over 250 miles from Cork to Dublin and raised over £140,000 for the Foundation.

The St. James's Place Balmoral Half Marathon and Fun Run raised in excess of £19,000 for the Foundation.

A 3 day walk along the Thames path, raised over £11,000 for the Foundation.

Plans for 2012

2012 marks the 20th Anniversary of the both the Company and the Foundation, with various initiatives planned to celebrate this milestone and continue to increase the funds raised for good causes.

As well as the usual fundraising events up and down the country, in May 2012, a team of 25 Partners and employees will fly to Kathmandu in Nepal to make the demanding trek to Everest Base Camp, with one of the team then attempting to climb Everest itself, with the aim of raising in excess of £500,000 for the Foundation.

The Foundation is also launching two new giving programmes in 2012. The first is aimed at supporting charities which utilise sports participation as a tool for positive change and work with disadvantaged young people or those whose lives are challenged by illness or disability. The second project is focused on the provision of hospice care at home, with the Foundation supporting Help the Hospices, the umbrella organisation supporting independent UK hospices, to fund effective and innovative projects that will dramatically improve end-of-life care in the home setting.

OUR PEOPLE

We take pride in being a people business and continue to believe that our success as a business depends on the loyalty and dedication of our people, whether Partners or employees; they provide the Group with a sustainable competitive advantage and the attitude, knowledge and commitment of our people continues to be a strong differentiator. We aim to attract the best people, enable them to fulfil their potential and secure their continued commitment by providing them with an interesting and challenging career within a first class working environment. We share ideas and are always receptive to suggestions for change. We give credit where credit is due and work hard to recognise individual performance.

The Company is committed to maintaining an appropriately skilled and diverse workforce irrespective of age, colour, race, nationality, ethnicity, sex, or disability. It is our policy to ensure that all job applicants and employees are treated fairly and on merit and we give full and fair consideration to applications from disabled people, having regard to their particular aptitudes and abilities. We seek to employ the best person for each job and aim to ensure everyone can enjoy equal opportunities in an environment that is free from discrimination of any sort.

In respect of employees with disabilities, we will always consider possible modifications to the working environment to ensure that anyone with disabilities has the chance to take up opportunities or enhance their role. We ensure that every effort is made to achieve continuity of employment in the event of an employee becoming ill or disabled and we will arrange appropriate training for those employees that become ill or disabled. Similarly, best practice principles ensure that our responsibilities are met as an equal opportunity employer.

At induction, all employees and members of the St. James's Place Partnership receive a booklet entitled 'Our Approach' which gives guidance on the culture and values of St. James's Place. We believe it is important for all areas of our community to know and understand our objectives, including the ethos behind the St. James's Place brand and how its integrity and values should be maintained, our corporate culture and management style, how we deal with internal and external communications and our commitment to the St. James's Place Foundation.

Partners are also provided with a document which sets out the principles that have made the Partnership our competitive edge and a group of professionals that other advisers aspire to join. The document emphasises our values of integrity, trust, openness, partnership and teamwork and is designed to guide individual and corporate actions, decisions and standards across the Company.

The Company reviewed its business practices and procedures in the run up to the bribery legislation coming into force in April 2011 and is satisfied that it has appropriate protections in place to ensure compliance.

Employee Communication

We remain committed to an open style of communication with employees. We keep all of our community informed, via the SJP Intranet, on matters that might affect their day-to-day work and communicate other items of interest via a bi-monthly employee newsletter. Regular feedback from employees at all levels is sought through informal lunches hosted by Directors, and managers are expected to have regular team meetings and regular one-to-ones with their team members. Directors and senior managers frequently visit St. James's Place office locations to disseminate key corporate messages and obtain valuable feedback.

Employee Feedback

We continue to seek employee's views and opinions through a bi-annual Employee Survey with the most recent survey being conducted in September 2010. The survey was carried out by independent third party consultants (ORC International) so staff could be assured that any feedback would be confidential and strictly non-attributable.

We received a strong survey response rate of 85% (compared to 82% in 2008) so we believe that the survey results provide a good snapshot of how our employees are feeling on a number of important issues. We have repeated the results of the survey below to remind shareholders of the outcomes.

ORC measure the 'engagement' of staff through a series of questions in the survey which together form an 'employee engagement index', which ORC used to compare SJP's results to those of other financial services organisations that take part in their surveys. We were delighted that SJP's overall engagement score was 84%, considerably higher than the financial services benchmark of 69%. The following table shows the responses to the questions linked to our employee engagement index:

Question	% Positive	% Difference to Benchmark
I feel proud to work for SJP	90%	+14%
I would recommend SJP as a good place to work	84%	+16%
Considering everything, I am satisfied with SJP as a place to work	86%	+17%
I feel a strong sense of belonging to SJP	82%	+18%
I intend to still be working for SJP in 12 months time	83%	+13%
This organisation motivates me to go the extra mile	74%	+22%
Working here makes me want to do the best I can	84%	+11%

Since the last survey we have held focus groups to discuss the results with employees at all levels and shared the output from the focus groups with senior managers in the organisation. We have developed a new manager induction event and other training for existing managers in response to issues highlighted in the survey, as well as improving our annual leave (based on length of service) for all employees. We plan to repeat the survey process at the end of 2012.

Our workplace gender profile is fairly evenly split with a total of 53% female and 47% male employees. Employee retention for 2011 is 92.3%, whilst days lost through sickness across the business stands at 6.3 days per employee, per year, which is below the national average. Whilst our employee turnover remains low, we carry out farewell interviews for all our employees, to gain valuable feedback on reasons for leaving and act where possible.

People Development

We are keen to ensure that all individuals are encouraged to develop and are given opportunities to seek new challenges across the business. As well as planned development through the reporting and appraisal processes, employees are able to take advantage of a variety of courses, mentoring, or other development opportunities made available through the Training Department.

St. James's Place is a Corporate Member of the Institute of Customer Service ('ICS'). During 2011, the ICS Awards programme continued to provide practical support to the development of employees with growing numbers of employees involved in the scheme. We now have over 60 people participating in the Awards programme and many of the early participants now assist colleagues in coaching and mentoring roles. The programme was trialled for the first time with field based employees, which worked well and we hope to expand this further in 2012. The Company retained its Approved Centre Status by the ICS which recognises that our programme is self-sufficient with our own training events, coaches and assessors.

The Knowledge Development Meetings first created during 2008 for Cirencester employees were further extended in 2011 and are attended by an increasing number of employees. The events have proved to be successful in helping employees develop their understanding of our business and learn new skills.

Similarly, a development programme has been developed for each of the specialist roles within the Filed Management Team, which commences as soon as a new Manager joins St. James's Place and continues throughout their career. An example of this is a programme of six courses for Business Development Managers that helps them develop their skills to act as a consultant and help Partners build their practices. This covers various topics from recruiting staff to business planning. During 2011, we worked extensively with our Senior Field Management team to implement a more effective appraisal and review process to ensure that everyone has clear personal development objectives.

Changes in regulation will require many of our Partners to hold a higher level qualification by the end of 2012 and we wish to ensure that our Partner support teams are qualified to a similar or higher level as the Partnership. We have therefore implemented a programme of development courses to help the relevant staff obtain their Diploma qualifications. During 2011, 171 exams were successfully passed by our employees towards their Diploma qualifications.

Performance, Reward and Remuneration

We encourage a culture of high performance and service delivery. This is supported by a formalised Performance Development Review process underpinned by our Competency Framework, which articulates the importance to SJP of core activities and particular behaviours - including communication, relationship and people management, project delivery and strategic development - at each level. Employees are encouraged to develop their skills and knowledge through internal and external learning and workshop opportunities.

Our reward package is competitive with a comprehensive range of benefits provided to all employees including Pension, Life and Critical Illness cover, income replacement, Private Medical cover and health screening.

We provide all employees with the opportunity to benefit from annual cash bonuses linked to St. James's Place corporate or team performance. All employees are also provided with an annual opportunity to sacrifice their cash bonuses to their pension arrangement, with any amount sacrificed enhanced by 10% by the Company to encourage and communicate the importance of retirement planning. A pension salary sacrifice arrangement was introduced during 2009 to complement the existing bonus sacrifice arrangement enabling staff to enhance their pension by sacrificing a portion of their annual salary, such amount again enhanced by 10%. Over 30% of our employees elected to participate in the scheme.

We also recognise the value of employees being given the opportunity to acquire St. James's Place shares and as a result all employees are invited to participate in both a Sharesave plan and a Share Incentive Plan. Currently, 70% of employees participate in the Sharesave plan (which allows shares to be acquired after a three-year savings period) with 20% of employees having also elected to participate in the Share Incentive Plan. Further opportunities to participate in these share plans will be provided during 2012.

Health and Safety

We work hard to create an excellent working environment for employees and Partners. We ensure every office complies with Health and Safety regulations and also seek to improve awareness through regular training sessions on subjects such as manual handling, fire marshal and first aider training.

Each year we carry out fire risk assessments, fire evacuation tests and health and safety inspections and the actions identified from these are completed appropriately and overseen by the Health and Safety working group. The working group is chaired by the Operations Director and meets at least quarterly to review policies, review the progress against targets and agree the action plan for the following year.

OUR CLIENTS

St. James's Place has always recognised that the interests of our clients are paramount and central to our culture. We strive to build and maintain long-term relationships with clients through the St. James's Place Partnership. These relationships are founded on the principle that every client has different goals and aspirations, requiring an individual, personal and bespoke advice service from a St. James's Place Partner. By applying this principle, our Partners have developed exceptionally strong and lasting relationships with their clients which are founded on trust. We aim to deliver consistent all round performance to clients by:

– Providing trusted advice through experienced and suitably qualified advisers.
– Providing solutions to meet identified client needs.
– Ensuring that our literature is clear and easily understood.
– Doing our very best to ensure that our clients' investments are managed effectively and meet or exceed expectations.
– Exhibiting empathy and consideration when dealing with our clients and working within the 'spirit' of our relationship with them: we listen to their needs.

We support and encourage Partner/client relationships by ensuring that the range of wealth management products and services on offer is comprehensive and meets both the current and future needs of clients. We wish to ensure that our clients' perception of St. James's Place is positive in every sense and that their experience of dealing with the organisation is consistent with the image we portray. We also guarantee the suitability of the advice given by Partners when they recommend any of the products and services provided by companies in the St. James's Place Group.

In settling life and health claims, we take a positive view and do not hide behind the 'small print'. Wherever possible, we will pay claims in line with the spirit of the contract. We also place great emphasis on communicating the characteristics of our products and services with clarity and transparency.

Client consultation is undertaken on a regular basis via client surveys and focussed research on specific areas of our offering. We conduct annual satisfaction surveys on a regular basis, giving us a clear understanding of what clients want and expect and enabling us to enhance the service we are able to offer them.

We were delighted to receive recognition for the quality of advice and service we provided to our clients during 2011. We were once again voted 'Best Financial Adviser' at the Money Pages 2011 Personal Finance Awards and also received the award for Best Wealth Manager for Tax by FT/Investors Chronicle.

These awards recognise the importance of the client relationship, which together with our successful approach to wealth management, lies at the heart of our business.

COMMUNITY ACTIVITIES

Our community activity is focussed on the recognition of our responsibility to help build strong and healthy communities in the areas in which we operate our business. Where possible we work with local charitable partners and community organisations. The combination of their expertise and the talents and enthusiasm of our employees makes our community involvement effective and rewarding for all concerned.

Our Employee Volunteering programme was revised in 2010 with employees being encouraged to share their knowledge and business skills with charities and other voluntary organisations, rather than providing 'one-off' support. In this way, we can benefit the charity as well as enhance the personal development of the employee by helping to develop and build a range of skills and abilities that they can bring back to the workplace. We have further plans to encourage increased volunteering in 2012, particularly in the area of helping young people understand their finances better, including the dangers of going into debt.

Cirencester College is a good example of the type of support we provide to local communities. The College has over 1,600 students between the ages of 16 and 19 and a further 7,000 students attending a variety of adult learning courses. Our main involvement with the College is to provide support for the 16 to 19 year old 'Academy Programmes', of which there are five, all designed for students who aspire to work in a particular market sector. In 2011, we supported six students with paid summer internships and we continue to provide extensive personal mentoring and business coaching to a number of students. St. James's Place also sponsors a number of awards and continues to have representation on the various Academy Boards at College and National levels. We have also employed twelve Academy students as a direct result of our relationship with the College, following their graduation.

One of the Academy students, who now works for St. James's Place said "I was lucky enough to have both an internship at St. James's Place and a mentor from their Marketing department. The internship gave me a real taste for what it was like to work for a big company in the financial industry and I loved it from the word go. Everyone was really friendly and helpful. I'm certain I wouldn't be where I am now if it wasn't for the Academy Programme."

The sponsorship of the Loughborough University Swimming programme reflects our desire to support a community programme of talented sports individuals in the build up to the London 2012 Olympic Games. The support that we offer enables the squad to receive additional coaching and since our relationship started in 2007, the team have medalled in all major UK and International events including European, Commonwealth and World Championships, as well as the Beijing Olympics in 2008. We are pleased that our sponsorship of the programme will continue until the 2016 Olympic Games.

We have entered into a partnership with the fundraising Committee of the Parish Church in Cirencester (near the Group's Head Office) to encourage community fundraising for the restoration of the Church. SJP has agreed to match pound for pound funds raised for the project within the local community, up to a specified limit each year.

Staff in our Cirencester office entered into the Christmas spirit by donating over 200 Christmas presents to County Community Projects (CCP) Hamper Scamper Appeal in December 2011, as well as donating £150 towards other presents for disadvantaged young people.

Young Gloucestershire ('Young Glos') is the leading voluntary youth organisation in Gloucestershire, delivering high-quality programmes and training for vulnerable young people. Two of our employees act as Trustees of the charity, helping Young Glos to enhance their governance procedures and plan for the future in light of government cutbacks for youth service programmes. In 2011, support from St. James's Place helped Young Glos to expand their Youth Achievement Programmes, supporting young people not in education or training.

ENVIRONMENTAL PERFORMANCE

Despite the rapid growth of the Group, in term of new business, employees and Partners, in 2011 St. James's Place was able to demonstrate a continued reduction in its carbon footprint on a normalised basis and continued to work towards reducing the Group's environmental impact through effective management of our energy systems. We recognise that the Company has a responsibility to manage the effect of our business on climate change by taking a positive approach in managing our business activities, while encouraging all Partners and staff to consider their own personal impact on the environment. We measure our environmental data from October to September to allow for more accurate data to be received for inclusion in this annual report.

The following tables summarise both our absolute and normalised CO_2e Emissions for the years to September 2009, 2010 and 2011, for our core business activities, using 2011 conversion rates as provided by DEFRA for all our emission categories. The Data has been checked and verified by Ecometrica.

The Absolute figures are based on tonnes of CO_2e produced from our core business operations, while the Normalised figures are based on full time occupants/employees (FTO/FTE) in our offices divided by the absolute tonnes of CO_2e in each category. As stated in our annual environmental report for 2010 (available on our website at www.sjp.co.uk) we have reset our targets for the next three years having already achieved the previous three year targets set in 2008 within two years, for each CO_2e category listed.

Absolute Table – Emissions

Year to End September	2009 Tonnes CO_2e	2010 Tonnes CO_2e	2011 Tonnes CO_2e	2011 Target Tonnes CO_2e	% Change on 2010	3 YR Target 2010-2013
Energy	2,997	2,954	2,947	2,949	-0.24%	-4.00%
Business Travel	1,136	1,137	1,195	1,128	+5.10%	-3.00%
Waste	226	116	112	115	-3.45%	-5.00%
Total Tonnes	4,359	4,207	4,254	4,192	+1.12%	-3.40%

Year to End September	2009 Tonnes	2010 Tonnes	2011 Tonnes	Absolute change on 2010
Paper Recycled	170	194	195	+0.52%

Year to End September	2009 Cubic Metres	2010 Cubic Metres	2011 Cubic Metres	Absolute change on 2010
Water usage	6,734	6,371	7,856	+23.3%

Normalised Table – Emissions

Year to End September	2009 FTO/ CO_2e	2010 FTO/ CO_2e	2011 FTO/ CO_2e	2011 Target FTO/ CO_2e	% change On 2010	3 YR Target 2010-2013
Energy	2.214	1.992	1.869	1.944	-6.17%	-8.00%
Business Travel	1.717	1.638	1.578	1.549	-3.66%	-11.00%
Waste	0.167	0.078	0.071	0.076	-8.97%	-10.00%
Total Tonnes	4.098	3.708	3.518	3.569	-5.12%	-8.90%

Year to End September	2009 Tonnes	2010 Tonnes	2011 Tonnes	Normalised change on 2010
Paper Recycled	0.125	0.131	0.124	-5.34%

Year to End September	2009 Cubic Metres	2010 Cubic Metres	2011 Cubic Metres	Normalised change on 2010
Water used	4.973	4.296	4.982	+15.97%

Year to End September	2009	2010	2011	2011 Target
F.T.O (Energy/Waste)	1,354	1,483	1,577	1,517
F.T.E (Business Travel)	662	694	757	728

CO_2e = Carbon Dioxide equivalent – Methane and Nitric Acid are converted to Carbon Dioxide

Energy

We have achieved a very small absolute decrease in carbon reduction in the area of energy during 2011, mainly through the reduction of an office site and energy audits conducted at eight selected offices. We have also included estimated gas consumption for several Landlord sites not previously included in our figures. Taking all these changes into account our absolute reduction has been limited to 0.2%, however levels in 2012 could increase slightly with additional space being occupied for office use. However, we achieved a reduction of 6.2% on 2010 levels on a normalised basis.

Travel

We are on target to meet our 3 year normalised target for travel, with a reduction of 3.7% during the last 12 months, but we have seen in the same period our absolute CO_2e levels increase by 5.1%. The majority of the absolute increase relates to increased business vehicle mileage and rail travel, and it is recognised that with increased staffing levels of 9% during the last 12 months, this area will be a challenge to reduce, in spite of an increase in audio conferencing for meeting purposes.

Waste
The amount of waste sent to landfill has reduced by 3.5% in absolute terms and by 9.0% in normalised terms, following changes to waste collection processes at head office with improved recycling of plastics, cardboard, tins and glass. It is expected that a further reduction will take place during 2012 as a waste food recycling plan is put in place in our Head office.

The Marketing Department continues to introduce marketing literature into our 'on demand' print options, which both reduces print and distribution practices and excess print wastage following necessary print updates to literature. We continue to use forestry stewardship (FSC) and Programme for the Endorsement of Forest Certification (PEFC) accredited paper stock. We also use 100% recycled branded copy paper throughout the Company.

Water
Water usage remains at low levels with a billed consumption of 7,856 cubic metres in 2011 compared with 6,371 cubic metres in 2010, giving a 23.3% increase in absolute terms. Most of this can be attributed to additional usage of around 1,450 cubic metres at our head office, where staffing levels have increased by 9%. No water reduction targets have been set for the period 2010-2013, as we believe that we achieved a minimum level by 2010.

Engagement with Third Parties
Our engagement with third parties remains fairly consistent with previous years, including meetings with Business in the Community (BITC) to discuss both environmental and corporate responsibility improvements and initiatives. We have participated in the Carbon Disclosure Project, one of the leading carbon collation projects aimed at the top companies worldwide. In 2011 we were again included within the FTSE4GOOD index.

ENVIRONMENTAL PROJECTS

Recognising that we are unable to reduce our carbon emissions to a zero level while energy is primarily sourced from fossil fuels, we have reviewed our arrangement of carbon offsetting through the Carbon Neutral Company and agreed to continue to offset our carbon footprint for a further three years, and committed to two main projects with a further project to be selected on an annual basis.

The two main projects are based around renewable energy, while the annual project for 2011 is a methane capture project. These are listed below:

Amayo Wind Power Project, Nicaragua
This project is located on the shores of Lake Nicaragua, one of the best wind resources in the Americas. The Amayo wind project uses nineteen 2.1MW turbine generators to support a 33.9MW wind farm, the first in the country and one of the largest in Central America. The project delivers clean electricity to Nicaragua's national grid.

Maharashtra 7.5MW Wind Power Project, India
This project involves the development of six 1,250KW wind turbines with a total installed capacity of 75MW located in the villages of Ghakia and Ghoupale in the state of Maharashta. The project provides 13GWH of renewable electricity per year to the grid in India.

Cholburi Wastewater Biogas to Energy Project, Thailand
This project uses biogas from wastewater to generate heat and power at a tapioca starch drying factory in Cholburi. The project introduces anaerobic fixed film reactor (AFFR) technology to the factory; a closed loop system co-developed by the King Mongkut's University of Technology in Thonburi and the National Centre of Genetic Engineering and Biotechnology. The AFFR technology collects and supplies biogas to a boiler where it is combusted to generate heat and electricity.

eTree Electronic Communication

We remain a member of the eTree initiative, a programme which encourages shareholders to receive electronic communications as a way of saving paper and reducing the impact on the environment. The scheme is run in association with the woodland trust 'Tree for All' campaign. Further details can be found at www.eTreeuk.com.

Activities Planned for 2012

Our activities planned for 2012 are to continue with the approach to reducing our environmental impact which will include:

– Using the 2011 Energy Audit results to improve the amount of energy used in all our office sites.
– Introduce a food recycling process at Head Office, including food waste and selective packaging.
– Continue to look at electronic processes to replace paper routines which include paper usage and the movement of documents via courier links.
– Maintaining the encouragement of audio and web conferencing options to reduce travel where possible.
– Keep engaging with our staff and encouraging them to consider their own environmental impact both corporately and individually.
– Engage with third party organisations such as CDP, BITC and the Carbon Neutral Company to keep searching for practical methods of improvements and awareness.

A full environmental report is produced annually and can be located together with a copy of the Environmental Policy and previous annual reports, on our corporate website at www.sjp.co.uk.

Board of Directors

CHAIRMAN

1. Charles Gregson (64) *(N) (A)*
Charles joined the Board in January 2010 as an independent Non-executive Director and was appointed Non-executive Chairman with effect from January 2012. He is Chair of the Nomination Committee and is a member of the Audit Committee. Charles is Non-executive Chairman of ICAP plc and CPP Group plc and a Non-executive Director of Caledonia Investments plc and International Personal Finance plc (from which he will step down at the 2012 AGM). He has extensive board and senior management experience in the UK and overseas and served on the boards of United Business Media plc, Provident Financial plc and MAI plc. Charles graduated in History and Law from Trinity Hall, Cambridge and has an MA in Law. He qualified as a solicitor in 1972.

EXECUTIVE DIRECTORS

2. David Bellamy (58)
Chief Executive
David joined the Company in 1991 and was appointed to the Board in 1997, before becoming Chief Executive in 2007. He previously fulfilled a number of roles at St. James's Place including Group Operations Director and Managing Director. David has worked in the financial services industry since 1973 and is a Trustee of the St. James's Place Foundation.

3. Andrew Croft (47)
Andrew joined the Company in 1993 and has been Chief Financial Officer since 2004. He qualified as a Chartered Accountant at PricewaterhouseCoopers in 1988 and has a degree in Accounting and Economics from Southampton University. Andrew is also a Trustee of the St. James's Place Foundation.

4. Ian Gascoigne (55)
Ian is the Managing Director responsible for the Partnership. He has worked in the financial services industry since 1986 and joined the Company in 1991. He was appointed to the Board in 2003. He has a degree from Lancaster University and an MA from Leicester University. Ian is also a Trustee of the St. James's Place Foundation.

5. David Lamb (55) *(I)*
David joined the Company in 1992 and was appointed to the Board in 2007. David is the Managing Director with responsibility for marketing, business development and the Company's fund range. He is a member of the Investment Committee and a Trustee of the St. James's Place Foundation. David is also a Director of the Association of Private Client Investment Managers and Stockbrokers. He is a graduate of City University, London and a Fellow of the Institute of Actuaries.

NON-EXECUTIVE DIRECTORS

6. Sarah Bates (53) *(I) (Rem)*
Independent Non-executive Director
Sarah joined the Board as an independent Non-executive Director in 2004 and became Senior Independent Director in January 2012. She is Chair of the Remuneration Committee and is a member of the Investment Committee. She is a Non-executive Director of Development Securities plc and of four listed investment trusts. Sarah is Chairman of the Association of Investment Companies, Chairman of Stena Line (UK) Pension Fund Trustees and of the Cancer Research UK Pension Fund Investment Committee. Sarah is also an adviser to, or member of, various other investment committees.

Sarah graduated in Philosophy and Law from Trinity Hall, Cambridge and has an MBA from the London Business School.

7. Vivian Bazalgette (61) *(I) (Rem)*

Independent Non-executive Director

Vivian joined the Board on 1 July 2011 as an Independent Non-executive Director and succeeded Sir Mark Weinberg as Chairman of the Investment Committee in July 2011. He is also a member of the Remuneration Committee. He is a Non-executive Director of Henderson High Income Trust plc, Brunner Investment Trust plc and Perpetual Income & Growth Investment Trust plc. Vivian is currently a Governor of Dulwich College, a Member of the Advisory Board of Greenwich Hospital and advises the BAE Systems Plc Pension Fund and the Investment Committee of the Nuffield Foundation. Vivian has an English degree from Cambridge.

8. Steve Colsell (47)

Non-executive Director

Steve was appointed to the Board as a non-independent Non-executive Director in 2009 to represent Lloyds Banking Group plc. He is Finance Director of Group Strategic Initiatives & International Banking at Lloyds Banking Group. Steve has held a number of senior finance and strategy roles in the life, general insurance, banking and consumer finance sectors. He is a Non-executive Director of Invista Real Estate Investment Management Holdings plc, a Fellow of the Institute of Actuaries and a graduate of Imperial College, London.

9. Iain Cornish (51) *(A) (R) (N)*

Independent Non-executive Director

Iain joined the Board as an Independent Non-executive Director in October 2011. He is a member of the Audit, Risk and Nomination Committees. He was Chief Executive of the Yorkshire Building Society from July 2003 until December 2011, having joined the Society in 1992. Iain also served as a member of the FSA Practitioner Panel from 2007 to 2011, becoming Chairman in 2009. Prior to joining the Society, he was a Senior Consultant in KPMG's Strategy Services Consultancy Practice, specialising in banking and finance sector consultancy projects.

10. Mike Power (54) *(R) (A) (N)*

Independent Non-executive Director

Mike joined the Board as an independent Non-executive Director in 2005. He chairs the Audit and Risk Committees and is a member of the Nomination Committee. He is Professor of Accounting at the London School of Economics and Political Science and Director of the Centre for Analysis of Risk and Regulation. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the UK Chartered Institute of Taxation and a Fellow of the Institute of Risk Management. Mike lectures and writes on risk management, regulation and compliance issues.

11. Roger Walsom (58) *(R) (Rem)*

Independent Non-executive Director

Roger was appointed to the Board as an independent Non-executive Director in 2005. He is a member of the Risk and Remuneration Committees. After several years in the financial services industry, Roger graduated in Law from Southampton University and qualified as a solicitor in 1980. He became a partner at Ashurst, a leading City law firm, in 1988. He retired from Ashurst in 2005 and is currently a Non-executive Director of Invesco Income Growth Trust plc, the Miller Insurance Broking Group and an Ashurst-related company. He was formerly a Non-executive Director of the Pensions Regulator.

Key

(A) – Member of the Audit Committee
(I) – Member of the Investment Committee
(N) – Member of the Nomination Committee
(R) – Member of the Risk Committee
(Rem) – Member of the Remuneration Committee
Ages are as at the date of the AGM on 8 May 2012.

Directors' Report

The Directors present their Report and the Annual Report and Accounts and the audited consolidated Financial Statements of the Group for the year ended 31 December 2011.

Business Review

The information that fulfils the Companies Act requirements of the Business Review can be found in the following sections:

Principal risks and uncertainties	The Risk and Risk Management section on pages 30 and 31.
Performance and development of the business during the year and position at the end of the year	Chief Executive's Statement on pages 4 to 7 and the Financial Commentary on pages 12 to 26.
Information on likely future developments	Chief Executive's Statement on page 7 and the Financial Commentary on pages 16, 24 and 25.
Directors' and Officers' Indemnity and Insurance	The Corporate Governance Report on page 60.
Financial and non-financial KPIs	Key Performance Indicators on pages 10 and 11.
Environmental, employee and social community matters	The Corporate Social Responsibility Report on pages 38 to 49.
Contractual or other arrangements essential to the business of the Company	Page 54.

Results and Dividends

The consolidated statement of comprehensive income is on page 80 and profit for the financial year attributable to equity shareholders amounted to £106.8 million. An interim dividend of 3.2 pence per share, which equates to £15.7 million, was paid on 14 September 2011 (2010: 2.025 pence per share/£9.8 million). The Directors recommend that shareholders approve a final dividend of 4.8 pence per share, which equates to £23.7 million (2010: final dividend of 3.975 pence per share/£19.4 million) to be paid on 16 May 2012 to shareholders on the register at the close of business on 30 March 2012.

The Directors have decided to introduce a Dividend Reinvestment Plan ('DRP') in respect of the final dividend payable on 16 May 2012. In light of this, the Directors have decided to terminate the previous scrip dividend scheme and no scrip alternative will be offered in respect of the final dividend, or any future dividend paid by the Company in 2012. Details of the new DRP scheme will be sent to shareholders in March 2012.

Status of Company

The Company is registered as a public limited company under the Companies Act 2006.

Principal Activities

The Company is a financial services holding company, with principal interests in the provision of wealth management advice and services to the clients of the Group. A full review of the activities of the Group and the basis on which the Company generates or preserves value over the longer-term is given in the Chief Executive's Statement on pages 4 to 7.

Substantial Shareholders

As at 31 December 2011, the Company had been notified of the following interests disclosed to the Company under Disclosure and Transparency Rule 5:

Lloyds Banking Group ('LBG')	288,366,379 (58.988%)
Prudential	28,047,643 (5.69%)

The Company was not notified of any changes to these interests during the period 1 January 2012 to 21 February 2012.

Details of the relationship agreement between Lloyds Banking Group plc and the Company are set out on page 60.

The interests of the Directors, their families and any connected persons in the issued share capital of the Company are shown on page 76.

Share Capital

Structure of the Company's Capital

As at 31 December 2011, the Company's issued and fully paid up share capital was 493,422,751 ordinary shares of 15 pence each. All ordinary shares are quoted on the London Stock Exchange and can be held in uncertificated form via CREST. Details of the movement in the issued share capital during the year are provided in Note 29 to the financial statements on page 118.

The full rights and obligations attaching to the ordinary shares of the Company are set out in the Articles of Association. The Articles can be amended by a Special Resolution of the members of the Company and copies can be obtained from Companies House. Holders of ordinary shares are entitled to receive the Company's Reports and Accounts, attend, speak and exercise voting rights and appoint proxies to attend General Meetings.

Voting Rights

At any General Meeting, on a show of hands, each member who is present in person has one vote and every proxy present who has been duly appointed by a member entitled to vote on a resolution has one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

Forms appointing a proxy sent by the Company to shareholders, in relation to any General Meeting, must be received by the Company not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.

Restrictions on Voting Rights

If any shareholder has been sent a notice by the Company under Section 793 of the Companies Act 2006 and failed to supply the relevant information for a period of 14 days, then the shareholder may not (for so long as the default continues) be entitled to attend or vote either personally or by proxy at a shareholders' meeting, or to exercise any other right conferred by membership in relation to shareholders' meetings.

If those default shares represent at least 0.25% of their class, any dividend payable in respect of the shares will be withheld by the Company and (subject to certain limited exceptions) no transfer, other than an excepted transfer, of any shares held by the member in certificated form will be registered.

Restrictions on Share Transfers

There are restrictions on share transfers, all of which are set out in the Articles of Association. Restrictions include transfers made in favour of more than four joint holders and transfers held in certificated form. Directors may decline to recognise a transfer, unless it is in respect of only one class of share and lodged (and duly stamped) with the Transfer Office. The Directors may also refuse to register any transfer of shares held in certificated form which are not fully paid. Directors may also choose to decline requests for share transfers from a US Person (as defined under Regulation S of the United States Securities Act 1933) that would cause the aggregate number of beneficial owners of issued shares who are US Persons to exceed 70.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine in respect of any class of shares.

The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares.

Power of the Directors

The Directors are responsible for managing the business of the Company and their powers are subject to any regulations of the Articles, to the provisions of the Statutes and to such regulations as may be prescribed by Special Resolution of the Company.

The Company's Articles of Association contain, for example, specific provisions and restrictions concerning the Company's power to borrow money. They also provide that Directors have the power to allot unissued shares, up to pre-determined levels set and approved by shareholders in General Meetings. This also applies to the Directors allotting equity securities otherwise than in accordance with statutory pre-emption rules.

Directors

Details of the Directors as at 21 February 2012 and their biographies are shown on pages 50 and 51. Brief particulars of the Directors' membership of the Board Committees are contained in the Corporate Governance Report on pages 58 to 64.

Vivian Bazalgette and Iain Cornish were appointed as Independent Non-executive Directors on 1 July 2011 and 1 October 2011 respectively and will seek election by shareholders at the Annual General Meeting in May 2012.

Mike Wilson retired as Executive Chairman and as a Director of the Company on 31 December 2011. Charles Gregson, an existing Non-executive Director, was appointed as Non-executive Chairman on 1 January 2012.

Derek Netherton and Michael Sorkin retired from the Board on 31 December 2011. Sarah Bates succeeded Michael Sorkin as the Senior Independent Director on 1 January 2012.

The Company's Articles of Association require that any Director appointed during the year to fill a casual vacancy must stand for reappointment at the next Annual General Meeting and that, at each Annual General Meeting, all those Directors who were elected or last re-elected at or before the Annual General Meeting held in the third calendar year before the current year, shall retire from office by rotation. Directors can be removed from office by an ordinary resolution of shareholders or in certain other circumstances as set out in the Articles of Association.

However, in accordance with the recommendations of the UK Corporate Governance Code, the whole Board of Directors will retire by rotation at the AGM in 2012. The Chairman is pleased to confirm that the Non-executive Directors seeking re-election continue to be effective in their roles on the Board and its Committees and have demonstrated their continued commitment to these roles. Further details on the Directors are set out in the Directors' biographies on pages 50 and 51 and in the Notice of Meeting.

Except as stated in the Remuneration Report, no Director has, or has had during the year under review, any material interest in any contract or arrangement with the Company or any of its subsidiaries. Details of all Executive Directors' service contracts are set out in the Remuneration Report on pages 71 and 72.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions in the Company's share schemes may, in certain circumstances, cause share awards granted to employees under such schemes to vest on a takeover.

Creditors' Payment Policy

The payment of supplier invoices is made on the Company's behalf by St. James's Place Management Services Limited ('SJPMS'), a subsidiary company. It is SJPMS's policy to pay creditors in accordance with the DTI's Better Payment Practice Code, copies of which can be obtained from the Better Payment Practice Group's website at www.payontime.co.uk. SJPMS's average number of days purchases outstanding in respect of trade creditors at 31 December 2011 was 20 days (2010: 18 days).

Charitable and Political Donations

Charitable contributions made by the Group to the St. James's Place Foundation during the year totalled £1,400,000 (2010: £1,200,000). Contributions during the year to other charitable organisations totalled £63,000 (2010: £7,100). A list of charitable donations made by the Foundation is available on request. Further details on the Foundation are included in the Corporate Social Responsibility Report on pages 38 to 43.

It is the Group's policy not to make any donations to political parties within the meaning of the definitions set out in the Political Parties, Elections and Referendums Act 2000 and sections 362 to 379 of the Companies Act 2006. The Group did not make any political donations during the year (2010: Nil).

Employees

Full details of the Group's approach to employee involvement, training, development and communication can be found in the Corporate Social Responsibility Report on pages 43 to 45.

Significant Contracts and Change of Control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities totalling £45 million and arrangements with third party providers of administration services.

A change of control of the Company may cause some agreements to which the Company is party to alter or terminate. These include bank facility agreements and employee share plans.

The group had committed facilities totalling £45 million as at 21 February 2012 which contain clauses which require lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory prepayment of the facilities.

All of the Company's employee share plans contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject where appropriate to the satisfaction of any performance conditions at that time and pro-rating of awards.

Annual General Meeting

The Company's Annual General Meeting will be held on 8 May 2012 at The Royal Aeronautical Society, 4 Hamilton Place, London W1J 7BQ at 11.00am.

Authority to Purchase Own Shares

At the Annual General Meeting in 2011, shareholders granted authority to the Directors for the purchase by the Company of its own shares. The authority will expire at the end of the Annual General Meeting to be held in 2012, or 18 months from the date granted, whichever is earlier. During the year, the Company did not purchase any of its own ordinary shares. The Directors will propose the renewal of the authority to purchase own shares at the forthcoming Annual General Meeting.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, as referred to on page 52. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Commentary on pages 12 to 26. In addition, the Notes on pages 105 and 110 and the Risk and Risk Management section on pages 28 to 36 include: the Company's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity.

As shown on page 23 of the Financial Commentary, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the business results in considerable positive cash flows, arising from existing business. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. Further information on the basis of preparation of these accounts can be seen in Note 1 to both the Consolidated Accounts under International Financial Reporting Standards and Parent Company Accounts on UK GAAP basis.

Statement of Directors' Responsibilities

This statement is set out in the Corporate Governance Report on pages 65 and 66.

Disclosure of Information to Auditors

Each of the Directors, at the date of approval of this report, confirms that:

– so far as each Director is aware, there is no relevant audit information of which the auditors are unaware; and
– each Director has taken all reasonable steps to ascertain relevant audit information and ensure that the auditors are aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a Resolution that they be re-appointed until the end of the 2013 Annual General Meeting will be put to shareholders at the Annual General Meeting on 8 May 2012.

On behalf of the Board

D Bellamy
Chief Executive
21 February 2012

A Croft
Chief Financial Officer

Corporate Governance

Corporate Governance Report

This report explains the approach the Company has taken to apply the principles and provisions set out in the UK Corporate Governance Code.

St. James's Place is committed to high standards of Corporate Governance and supports the principles set out in the UK Corporate Governance Code ('the Code'). The Listing Rules require UK listed companies to state whether they have complied with the provisions of the Code during the year. The Board considers that the Company has achieved compliance with all of the provisions of the Code throughout the financial year. Details of how the Company has applied the principles of the Code are set out in this report. Details of how the Company has applied the principles of the Code relating to remuneration are set out in the Remuneration Report on pages 67 and 68.

Information relating to substantial shareholdings, restrictions on voting rights, powers of the Directors, appointment of Directors and the authority to purchase own shares are disclosed within the Directors' Report on pages 52 and 53. The fundamental elements of the Company's business model are set out within the Business Review on pages 4 and 12.

The Board

The Board of Directors is responsible for providing entrepreneurial leadership and direction to the Company and agrees the Company's strategic aims, vision and values. The Board also aims to ensure that adequate controls are in place and the necessary financial and human resources to deliver value to shareholders and the wider community of individuals and organisations which benefit from the Company's activities.

There were six formal Board meetings during the year, plus an additional all-day strategy meeting. A table detailing the Directors' attendance at Board meetings can be found on page 59.

In advance of each meeting, all members of the Board are supplied with an agenda and pack containing reports on current trading, operational issues, compliance, risk, accounting and financial matters. The Chairmen of the various sub-Committees of the Board also report to the Board at each Board meeting and copies of Committee meeting minutes are included in Board packs, for information purposes.

The Board has a formal schedule of matters specifically reserved for it and its primary responsibilities include:

– determining the overall strategy of the Company;
– ensuring that the Company's operations are well-managed and proper succession plans are in place;
– reviewing major transactions or initiatives proposed by the Executive Directors;
– implementing appropriate Corporate Governance procedures;
– periodically reviewing the results and operations of the Company;
– ensuring that proper accounting records are maintained and adequate controls are in place to safeguard the assets of the Company from fraud and other significant risks;
– identifying and managing risk; and
– deciding the Company's policy on charitable and political donations.

Operational matters are delegated to management via the Board's Executive Committee, comprising the Executive Directors of the Board and internally referred to as the Executive Board. The Executive Board is responsible for implementing the Group's business plan objectives, ensuring that the necessary resources are put in place to achieve those objectives and managing the day-to-day operational business of the Group.

A copy of the schedule of matters reserved for the Board and the terms of reference of the Executive Board can be found on the corporate website at www.sjp.co.uk.

The Company maintains a Board control manual which sets out the primary policy and decision-making mechanisms within the Company. The manual includes the terms of reference for the various sub-Committees of the Board, the Company's risk policies and risk appetite statement. In addition, detailed job descriptions for each Executive and subsidiary Director are included, as well as a general job description outlining the responsibilities of the Non-executive Directors. The Board control manual is updated by the Company Secretary and approved by the Audit Committee on an annual basis.

The Roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board, Charles Gregson, and the Chief Executive, David Bellamy, are clearly defined and documented. No single Director has unfettered powers of decision-making. The Chairman is responsible for leadership of the Board and for ensuring the continued effectiveness of the Board and for setting its agenda so that adequate time is available for substantive discussion on strategic issues. The Chairman also promotes effective communication between the Executive and Non-executive Directors and with shareholders generally. The Chief Executive's primary responsibility is to manage the Company via the executive management team and implement the strategies adopted by the Board.

The Senior Independent Director

Sarah Bates is the Senior Independent Director, having succeeded Michael Sorkin in January 2012 following Michael Sorkin's retirement from the Board. The Senior Independent Director acts as a sounding board and confidante for the Non-executive Directors. Sarah is available to meet with shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through the existing mechanisms for investor communication.

Directors and Directors' Independence

The Board currently consists of a Non-executive Chairman, four Executive Directors, five independent Non-executive Directors and one non-independent, Non-executive Director, being Steve Colsell, who was nominated by the Company's largest shareholder, Lloyds Banking Group plc. Biographical details of all the Directors can be found on pages 50 and 51. The terms and conditions of appointment of the Non-executive Directors are available on request and will be available for inspection at the Annual General Meeting in May 2012. The Chairman is a Non-executive Director and was deemed independent on appointment in 2010.

Michael Sorkin and Derek Netherton resigned from the Board on 31 December 2011. Vivian Bazalgette and Iain Cornish joined the Board as independent Non-executive Directors with effect from 1 July 2011 and 1 October 2011 respectively. Charles Gregson was appointed as Non-executive Chairman on 1 January 2012, following the resignation of former Executive Chairman, Mike Wilson, who resigned from the Board on 31 December 2011.

The quality of individual Directors and the Board's overall composition is a key contributor to the Board's effectiveness. Committee membership is reviewed annually to ensure skills are refreshed over time. The Board is satisfied that all Directors have sufficient time to devote to their roles.

When determining whether a Non-executive Director is independent, the Board considers each individual against the criteria set out in the Code and also considers how they conduct themselves in Board meetings, including how they exercise judgement and independent thinking.

Taking the above into account, the Board believes that Derek Netherton and Michael Sorkin continued to demonstrate their independence throughout the year. As noted above, they ceased to be Directors at the end of the year.

Induction and Continuing Professional Development

On joining the Board, an appropriate induction programme is set up to enable the new Director to meet senior management, understand the business and future strategy, the main risks potentially affecting the Group, visit office locations and speak directly to Partners and staff around the country.

During the year, the outgoing Chairman and the Company Secretary reviewed the induction process for new appointments to the Board, as well as the continuing professional development needs of all Directors. Ongoing training was reviewed and agreed by the Chairman and Company Secretary for all Directors during the year following individual discussions with each Director, taking account of their roles and responsibilities on Board committees. In addition, ad hoc training was set up in the year to deal with individual requests and the Non-executive Directors are able to attend seminars or conferences which they consider will assist them in carrying out their duties. Non-executive Directors are briefed on the views of major shareholders at Board meetings and have an opportunity to meet with shareholders, as necessary.

Mike Wilson, the outgoing Chairman, met with Charles Gregson many times during the period leading up to the end of 2011, so that Charles Gregson was able to take over the Chairman's role fully briefed at the start of 2012.

Directors are regularly updated on their duties and responsibilities and have access to the advice of the Company Secretary, as well as independent professional advice where needed in furtherance of their duties. Further training is made available, as necessary, to ensure that the whole Board is kept abreast of relevant developments (such as regulatory changes) applicable to their roles. Topical issues are addressed prior to each Board meeting. During 2011, the Company Secretary and other senior executives updated the Board on an array of pertinent topics such as the changes being brought into force by the FSA's Retail Distribution Review and the proposed Solvency II requirements. The Board also received a presentation by the FSA's Supervisory Team.

Succession Planning

The Board recognises that succession risk can be mitigated through well-informed decisions being made at the appropriate time. The appointment of Vivian Bazalgette and Iain Cornish represented a further step in the ongoing development and succession of the Board. The Nomination Committee focused in 2011 on identifying, assessing and nominating candidates to succeed Derek Netherton and Michael Sorkin as independent Non-executive Directors.

When Vivian Bazalgette was appointed as a Non-executive Director in July 2011, his suitability had been assessed since joining the Investment Committee as an independent member in January 2010. As a result of this assessment, the Nomination Committee recognised that Mr Bazalgette had the experience and qualities required to succeed Sir Mark Weinberg as Chairman of the Investment Committee and join the Board as a Non-executive Director. Vivian Bazalgette was appointed Chairman of the Investment Committee and joined the Board in July 2011.

Following an assessment of the skills and experience required for the Board going forward, the Nomination Committee began the search for potential non-executives with recent relevant senior management experience in the financial services industry. As a result, Iain Cornish was identified as a suitable candidate and, following several interviews with members of the Board and the Nomination Committee, was appointed to the Board in October 2011. As a result of Iain Cornish's previous roles as Chief Executive of Yorkshire Building Society and Chairman of the FSA Practitioner Panel, the Board considered that Iain's wide experience would enhance the effectiveness of the Board and its committees, particularly following the planned retirements of Derek Netherton and Michael Sorkin. Towards the end of 2011, the Nomination Committee identified Baroness Wheatcroft as a further candidate to join the Board as an independent Non-executive Director, with the help of an external search consultancy. Following interviews with the members of the Nomination Committee and the Executive Directors, the Board resolved, in February 2012, to appoint Baroness Wheatcroft as a Non-executive Director, with effect from 2 April 2012. It was also announced that Roger Walsom would be stepping down from the Board at the AGM in May 2012.

The Board believes that Baroness Wheatcroft's extensive business and media experience will further enhance the skills and diversity of the Board.

Board Evaluation

As stated in the Annual Report for 2010, the Board committed to undertaking externally-led evaluations every three years in accordance with the new UK Corporate Governance Code and the first such evaluation was carried out in 2011 by Independent Audit Limited, which does not have any other connection with the Company.

The evaluation was designed to assess the quality of the Board's decision-making and debate, its overall contribution to, and impact on, the long-term health and success of the Company, and its preparation for future challenges. The independent external evaluation covered a variety of aspects associated with Board effectiveness and was conducted through the use of confidential interviews with all Directors, some senior managers, some of the Board's advisers (eg the external auditors) and a review of past Board papers. Following the review, Independent Audit drafted a report and attended a Board session to discuss observations arising from the evaluation. As a result an action plan to address the key findings has been formulated.

One of the main recommendations of the report was for the Chairman and Chief Executive to review the composition of the Board Committees from 2012, in light of the Board changes set out above. This has been carried out, with several changes being approved by the Board with effect from the start of 2012, including the appointment of Sarah Bates as Senior Independent Director and various changes to the composition of Board Committees. There are five sub-Committees of the Board: Audit, Risk, Investment, Remuneration, and Nomination and the changes to the non-executive membership of these Committees from 2012 are set out in the table below. The Chairman intends to review the membership of the Board Committees later in 2012, following the appointment of Baroness Wheatcroft. It is expected that Iain Cornish will become Chairman of the Audit Committee later in 2012.

Committee	Composition at end of 2011	Composition from 2012
Audit	Mike Power (Chair) Derek Netherton Charles Gregson	Mike Power (Chair) Iain Cornish Charles Gregson
Risk	Mike Power (Chair) Sarah Bates Roger Walsom	Mike Power (Chair) Roger Walsom Iain Cornish
Investment	Vivian Bazalgette (Chair) Sarah Bates Michael Sorkin	Vivian Bazalgette (Chair) Sarah Bates
Remuneration	Sarah Bates (Chair) Roger Walsom Vivian Bazalgette	No change
Nomination	Charles Gregson (Chair) Michael Sorkin Mike Wilson	Charles Gregson (Chair) Mike Power Iain Cornish

The report noted that, given the recent changes to the Board, it would be important for the Nomination Committee and the Board as a whole to review the existing skills and experience of the members of the Board and to decide any areas where any additional skills would be welcome.

This would then help to establish the attributes needed for future non-executive recruitment to the Board, as and when the need arises. This will be one of the priorities of the Nomination Committee in 2012, together with the regular review of the succession plan for the executive team and the ongoing development of the executives operating below the Board.

As regards the meetings of the Board, there was general consensus that the current number of meetings was appropriate, that the Board was provided with a comprehensive pack of papers and that there was enough time to discuss the issues that needed to be debated. There was also general agreement that the Strategy Day held in September 2011 had been very successful, particularly in respect of the discussions regarding the Group's strategy in light of the implementation of the FSA's Retail Distribution Review reforms, although various changes to the structure and content of future Strategy Days were suggested. The report also identified a number of recommendations for the conduct of the Board meetings in the future, including that the Board should carry out more detailed discussions on the principal risks impacting the Group at least once a year, in addition to the regular discussions that currently take place around the reports provided by the Group Risk Director at each Board meeting.

As regards the various Committees of the Board, the report did not identify any material issues, given the well-established Committee process and standing agendas. However, given the changes to the composition of the Board Committees from 2012, it was recommended that the various Chairs of the Committees meet to discuss their terms of reference so there are no gaps, or overlaps. This process is well underway and revised Terms of Reference for the various Committees have been approved by the Board, where appropriate. Various other recommendations have also been adopted, including a review of the papers provided to the Audit Committee by the Internal Audit function (in light of the appointment of a new Head of Internal Audit), a review of the risk schedules provided to the Risk Committee and a review of the structure of the Investment Committee meetings, following which a sub-Committee has been set up, with delegated powers, to carry out more of the regular monitoring of the Group's investment managers.

Independent Audit also discussed with the Chairman any comments on the individual performance of members of the Board, which were discussed by the Chairman with the relevant directors at their next one-to-one meeting.

Board Committees

As referred to above, there are five sub-Committees of the Board: Audit, Investment, Nomination, Remuneration and Risk. The membership and Terms of Reference of the Committees are reviewed annually and the Terms of Reference are available on the corporate website (www.sjp.co.uk), or on request from the Company. Biographical details for members of these Committees are set out on pages 50 and 51.

Attendance at Meetings

The attendance by individual Directors at Board and Committee meetings during the year ended 31 December 2011 was as follows:

	Board (i) (7 meetings)	Risk (4 meetings)	Audit (ii) (5 meetings)	Remuneration(iii) (3 meetings)	Nomination (iv) (2 meetings)	Investment (10 meetings)
Sarah Bates	7	4	–	1/1	–	10
Vivian Bazalgette	3/3	–	–	1/1	–	10
David Bellamy	7	(4)	–	(3)	(2)	–
Steve Colsell	5	–	(4)	–	–	–
Iain Cornish	1/1	–	2/2	–	–	–
Andrew Croft	7	–	(5)	(2)	–	8
Ian Gascoigne	7	(4)	–	–	–	–
Charles Gregson	7	–	5	2/2	2	–
David Lamb	7	–	–	–	–	10
Derek Netherton	7	–	5	2/2	–	–
Mike Power	7	4	5	(1)	–	–
Michael Sorkin	7	–	–	2/2	2	7
Roger Walsom	7	3	–	3	–	–
Mike Wilson	7	–	–	(1)	2	–

(i) Vivian Bazalgette and Iain Cornish were appointed to the Board on 1 July 2011 and 1 October 2011 respectively.

(ii) Iain Cornish was appointed to the Audit Committee on 1 October 2011.

(iii) Vivian Bazalgette was appointed as a member of the Remuneration Committee on 1 July 2011 and Sarah Bates was appointed as a member and Chairman of the Committee on 1 July 2011. On the same date, Michael Sorkin, Derek Netherton and Charles Gregson ceased membership of the Remuneration Committee.

(iv) Charles Gregson was appointed as a member and Chairman of the Nomination Committee on 1 July 2011. Derek Netherton ceased to be a member of the Nomination Committee on 1 July 2011. Both meetings of the Nomination Committee took place in the second half of 2011.

(v) Figures in brackets indicate where a Director has been invited by a Committee to attend the meeting, but is not a formal member of the Committee. The Group Risk Director is invited to attend part of Board meetings throughout the year to present his Group Risk report. He also attends Risk and Audit Committee meetings during the year.

Directors' and Officers' Indemnity and Insurance

Lloyds Banking Group plc ('LBG'), the ultimate parent company, has taken out insurance covering Directors and officers against liabilities they may incur in their capacity as Directors or officers of LBG or its subsidiaries. All members of the Board of LBG and other senior employees who act as Directors of subsidiary companies are each granted indemnities whilst acting in their capacity as Directors or officers to the extent permitted by law. These indemnities are uncapped in amount and protect recipients from certain losses and liabilities that they may incur to third parties in connection with the furtherance of their duties as Directors or officers of LBG or its subsidiary companies. Copies of the indemnities are available to shareholders upon request. This is a qualifying third party indemnity provision and was in force during the financial year and at the date of approval of the financial statements.

The Company has granted indemnities to all of its Directors on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2011, and remain in force at the date of this report.

Procedures to Deal with Directors' Conflicts of Interest

Procedures have been approved by the Board to deal with situations where a Director either has a conflict of interest, or where a potential conflict of interest situation arises. Under the procedure, the relevant Director must disclose to the Board the actual or potential conflict of interest for discussion by the other members of the Board. The Board will consider the potential conflict on its particular facts and decide whether to waive the potential conflict if it believes this to be in the best interests of the Company. The process involves keeping detailed records and Board minutes in respect of authorisations granted by the Board and the scope of approvals given. Conflict authorisations are reviewed annually by the Board.

Relations with Shareholders

The Board maintains close relationships with institutional shareholders through dialogue and frequent meetings and the Chief Financial Officer provides feedback to the Board on topics raised by shareholders. The Company also meets regularly with JPMorgan Cazenove and Deutsche (joint brokers to the Group) who facilitate meetings with investors and their representatives. The Chairman, Senior Independent Director and other non-executive Directors are available for consultation with shareholders on request. Board members receive copies of the latest analysts' and brokers' reports on the Company and attend shareholder and/or analyst meetings from time to time.

Members of the Board will be available at the forthcoming Annual General Meeting to answer shareholders' questions on the Company's business and the activities of the Board and its Committees.

Relationship with Lloyds Banking Group plc

The Company entered into a Relationship Agreement ('the Agreement') with Halifax Group plc in 2000, to regulate the relationship between the two companies after the completion of a Partial Offer. The Agreement was novated to HBOS plc, following the merger between Halifax and Bank of Scotland in 2001. On 16 January 2009, HBOS plc was acquired by Lloyds TSB Bank plc, which subsequently changed its name to Lloyds Banking Group plc (LBG).

The principal purpose of the Agreement is to ensure the Company operates independently of LBG and to provide that the relationship between LBG and the Company will be conducted on an arm's-length basis. Under the Agreement, LBG has the authority to appoint a number of Directors to the Board and its Committees and the number varies in relation to LBG's shareholding in the Company. LBG currently has the right to appoint three Non-executive Directors to the Board although, as at the date of this report, LBG has appointed one Non-executive Director, being Steve Colsell.

Nomination Committee

The Nomination Committee comprises two independent Non-executive Directors and the Chairman. The Committee met twice during the year and the current members and attendees are:

Members:	Attendees:
Charles Gregson (Chairman)	David Bellamy
Mike Power	
Iain Cornish	

Charles Gregson was appointed a member and Chair of the Nomination Committee on 1 July 2011. Derek Netherton ceased to be a member of the Nomination Committee on 1 July 2011. Michael Sorkin and Mike Wilson ceased to be members on 31 December 2011 and Iain Cornish was appointed a member of the Committee from 1 January 2012.

Duties

The Committee is responsible for identifying and nominating candidates to fill Board vacancies as and when they arise. Prior to any appointment being made, the Committee evaluates the skills, knowledge and experience of existing members and prepares a description of the role and capabilities required for a particular appointment.

Succession planning forms a core remit of the Committee, taking into account the challenges and opportunities facing the Company at present and in the future and the Committee gives full consideration to the type of skills and expertise required at Board and senior management level. The Committee will, from time to time, use the services of an external search consultancy to assist in finding suitable candidates from a wide range of backgrounds.

Activities

During 2011, the Committee focused on succession plans in relation to the Chairman and non-executive positions, given the planned resignations of Mike Wilson, Derek Netherton and Michael Sorkin at the end of 2011.

At the start of the year the Committee assessed whether Vivian Bazalgette could succeed Sir Mark Weinberg as Chairman of the Investment Committee, having been a member of the Investment Committee since January 2010. The members of the Nomination Committee also assessed his suitability as a Non-executive Director. Taking into account the positive feedback on Vivian Bazalgette's tenure as a member of the Investment Committee and his broad financial services experience, the Committee had no hesitation in recommending that he be appointed to the Board and as Chairman of the Investment Committee, with effect from 1 July 2011.

The Committee also considered the succession planning for the role of Chairman. Charles Gregson had been appointed to the Board as a Non-executive Director in January 2010, with a view to him becoming Chairman in due course when Mike Wilson retired. Having reviewed the positive contribution made to the Board by Charles Gregson since his appointment in 2010, the Committee recommended to the Board that Charles Gregson succeeds Mike Wilson as a Non-executive Chairman from 1 January 2012. Prior to his nomination, the Committee reviewed Charles Gregson's other significant commitments, being his chairmanship of ICAP plc and CPP plc and concluded that he had sufficient time to carry out the role of Chairman of the Board. There have been no changes to his other significant commitments during the year.

The Committee noted that the Board would need to appoint an additional Non-executive Director to comply with the Code, following the planned resignations of Derek Netherton and Michael Sorkin at the end of 2011. Following discussions with the Board, the Committee felt that it would be preferable to appoint a non-executive with considerable hands-on experience of financial services. The Committee considered using a search agency to look for suitable candidates but, following an introduction, Iain Cornish was considered for the role following his decision to step down from his role as CEO of Yorkshire Building Society. Following a number of interviews with members of the Committee and senior management, the Committee recommended that Iain Cornish be appointed to the Board as a Non-executive Director in October 2011, so that he could be fully inducted on the business and procedures of the Group prior to the end of the year.

Finally, the Committee continued to review potential non-executive candidates introduced via a search agency. At the end of 2011, Baroness Wheatcroft was introduced to the Committee and, following a series of interviews with members of the Committee and the Executive Directors, the Committee recommended that Baroness Wheatcroft be appointed to the Board as a Non-executive Director in February 2012, in light of her extensive business and media experience.

Board Diversity

The Committee also discussed the report by Lord Davies on Board diversity, published in February 2011, including the request that boards should commit to specific targets for the number of women on the Board and on the Executive Committee by 2015.

As regards the executive team, the Committee noted that they have all been Directors of the Company or other group companies for many years and there are no plans to change the executive team in the short-term. Having said that, the Group is committed to developing the members of the senior management team below the Board so that, so far as possible, they are ready to join the plc Board as part of a planned succession programme in due course.

Naturally, the development programme for the executives below the Board has diversity as one of its core principles, with the various elements of the programme being available to all senior employees, male or female, and without reference to race, religion or other discriminatory factors.

As regards the non-executive team, as and when other Non-executive Directors ('NEDs') retire from the Board in due course, the Nomination Committee will consider the particular skills needed for a replacement NED and draw up a job specification setting out the skills required, to assist any search firms appointed to find suitable candidates for the role. The Board does not believe it would be appropriate to ask a search firm to narrow their search towards female (or male) candidates. All suitable candidates will be considered on merit, with the Nomination Committee recommending to the Board the person they consider to be the best suited to the role.

The Board agrees with the description used in the Financial Reporting Council ('FRC') guidance on board effectiveness – that boards should aim for diversity in psychological type and background, as well as gender. In this way, the Board is more likely to consist of people from different backgrounds and skill sets so as to avoid any kind of 'group thinking' and enhance constructive discussion and challenge at Board meetings.

As a result of the above, whilst the Board will seek to ensure that there is sufficient diversity (in the wider sense) on the plc Board at all times, as illustrated by the appointment of Baroness Wheatcroft to the Board, it does not believe that setting a target for female representation is appropriate at this time.

Remuneration Committee

The Remuneration Committee comprises solely independent Non-executive Directors. The Committee met three times during the year and the current members/attendees are:

Members:	Attendees:
Sarah Bates (Chairman)	David Bellamy
Vivian Bazalgette	Andrew Croft
Roger Walsom	Jonathan Hutchings (New Bridge Street)

Sarah Bates joined and became Chair of the Committee on 1 July 2011. Vivian Bazalgette joined the Committee on 1 July 2011. Michael Sorkin, Derek Netherton and Charles Gregson ceased to be members of the Committee on 1 July 2011.

Duties

The Committee is responsible for determining the Company's broad policy for executive remuneration and the individual remuneration packages for each of the Executive Directors, the Group Risk Director and other senior executives (where applicable), including any executive whose total remuneration is expected to exceed the median total remuneration of the Executive Directors.

The Committee agrees at the start of the year the short-term bonus and long-term incentive schemes for the Executive Directors, including any applicable performance conditions or metrics and then reviews the performance of individual Directors and senior management against the objectives set by the Committee. In the event of a Director leaving the Group, the Committee will review and determine the scope of any termination payment and severance terms. The Committee is also responsible for selecting, appointing and setting the Terms of Reference for any remuneration consultants who advise the Committee.

The Terms of Reference that set out the Committee's role and authority can be found on the corporate website and further details on the activity of the Committee during the year is set out in the Remuneration Report on page 67.

Investment Committee

The Investment Committee met ten times during the year. The current members of the Committee are:

Vivian Bazalgette (Chairman)
Sarah Bates
Peter Dunscombe
Andrew Humphries
David Lamb
Chris Ralph

Various members of the Asset Management team and the Field Management Team were invited to attend meetings during the year. Representatives from the Company's investment advisers, Stamford Associates, attended all meetings during the year.

In January 2011, the Company announced that Sir Mark Weinberg would be stepping down as Chairman of the Investment Committee in July 2011 and Vivian Bazalgette was appointed as Chairman of the Committee in his place with effect from 1 July 2011. In addition, Michael Sorkin and Andrew Croft stepped down from the Committee at the end of 2011.

Duties

The Committee's main responsibilities include overseeing the Company's Investment Management Approach, monitoring the performance and suitability of the Group's range of independent Fund Managers, as well as ensuring that the Fund Managers follow the terms of their agreements with the Company. Where necessary, the Committee will make recommendations in relation to the appointment or removal of Fund Managers and also considers any new funds which are to be made available to the Group's clients.

In 2011, the Committee engaged the services of two further Investment consultants, AON Hewitt and Inalytics to help with specific aspects of its work.

Activities

During the year, the Committee monitored the performance of the Group's Fund Managers and focused on specific manager issues as they arose. Face-to-face reporting sessions were held with managers, which provided the Committee with an opportunity to evaluate and assess their investment philosophy and processes and question the individual fund managers on topical issues.

The Committee also considered the Investment Manager Report from Stamford Associates and brought about a number of changes and additions to the Investment Managers appointed by the Group. Following a rigorous review and selection process, the Committee oversaw the changes to the range of funds announced in September 2010, introducing four new independent fund management firms to the Group's fund range. The Committee also provided oversight on the introduction of a range of example Portfolios to the Partnership, together with the accompanying client facing material.

Due to the increased number of Funds and Fund Managers, additional monitoring meetings involving members of the main Committee have been established to facilitate face-to-face sessions with fund managers, with minutes provided to and discussed at the main Committee. Two additional meetings were held in 2011 and there will be regular additional monitoring meetings throughout 2012. More detail on the work of the Committee can be found in the 'Report of the Investment Committee 2011', located on the Company's website at www.sjp.co.uk.

Audit Committee

The Audit Committee met five times during the year and the current members and attendees of the Committee are:

Members:	Attendees:
Mike Power (Chairman)	Steve Colsell
Iain Cornish	Andrew Croft
Charles Gregson	Bill Tonks (Group Risk Director)

Mike Power replaced Derek Netherton as Chairman of the Committee on 1 July 2011 and Derek Netherton remained a member until he resigned from the Board on 31 December 2011. Iain Cornish joined the Committee on 1 October 2011.

All members of the Audit Committee are independent Non-executive Directors, with the exception of Charles Gregson, who upon his appointment as Chairman of the Company is now considered by the Code to be non-independent. The Board is satisfied that all members of the Audit Committee have considerable financial experience. The Board considered that it was important for the continued effectiveness of the Audit Committee for Charles Gregson to remain a member of the Committee, following his appointment as Chairman in January 2012. As stated above, the membership of the Audit (and other) Committees will be reviewed, following the appointment of Baroness Wheatcroft to the Board in April 2012. Attendees at meetings during the year included the Chief Financial Officer, the Risk Director, the Head of Internal Audit and members of the Finance team, as well as the external auditor. Steve Colsell also attended meetings as the representative of Lloyds Banking Group.

Duties

The Committee is responsible for reviewing the Company's internal and external audit resource and examining any matters that relate to the financial affairs of the Company. This includes monitoring the financial reporting process and advising the Board on the Company's interim and annual financial statements, its accounting policies and compliance with accounting standards. The Committee also assists the Board in ensuring that the financial and non-financial information supplied to shareholders provides a balanced assessment of the Company's position.

Other duties include monitoring the effectiveness of the internal control and risk management systems of the Company and maintaining an appropriate relationship with the external auditors, reviewing the nature and scope of the work performed by them and their responses to management. The Terms of Reference that set out the Committee's role and authority can be found on the corporate website at www.sjp.co.uk.

Activities

During the year, the Committee formally reviewed the draft Annual and Half Yearly Reports, the external auditors' reports thereon and associated announcements and considered the accounting principles, policies, assumptions and practices adopted in the Company's financial statements and proposed changes were made, where necessary. The Committee considered significant accounting issues and areas of judgement, as well as deferred tax and other liabilities potentially affecting the Company.

Other activities undertaken by the Committee during the year included the monitoring and review of the effectiveness of the Internal Audit function, consideration of the Internal Audit plan, which included a review of the Company's system of internal financial controls and a review of the Group's 'whistle-blowing' policy. Committee members also received reports from the Head of Internal Audit and updates from the chair of the Risk Committee and discussed risks identified on the Emerging, Topical & Corporate Risk Schedules.

The Committee received and considered the Individual Capital Assessment ('ICA') report of the life company, St. James's Place UK plc ('SJP UK'). SJP UK is required by the Regulator to maintain a capital assessment for regulatory purposes and one of the responsibilities of the Committee is to review and consider the report.

Other areas of focus by the Committee included the appropriateness, independence and services provided by the external auditor and the Committee received regular updates on tax and actuarial matters, including the implications of Solvency II on the business.

The Committee also approved a formal policy for the provision of non-audit services by the external auditor. This policy aims to ensure that external auditor objectivity and independence is safeguarded and sets out the categories of non-audit services which the external auditor is allowed to provide to the Group. The financial limit for non-audit related advice and consultancy work by the external audit firm is £100,000 per year. Non-audit assignments exceeding 25% of the audit fee, either individually or cumulatively, must have the prior approval of the Audit Committee. Details of the amount paid to the external auditors during the year for audit and non-audit related services are set out in the Notes to the Accounts on page 96.

Risk Committee

The Risk Committee met four times during the year and the current members and attendees comprise:

Members	Attendees
Mike Power (Chairman)	David Bellamy
Iain Cornish	Ian Gascoigne
Roger Walsom	Bill Tonks (Group Risk Director)

Iain Cornish joined the Committee on 1 January 2012, replacing Sarah Bates, who served on the Committee during 2011.

All members of the Committee are independent Non-executive Directors who have considerable financial and/or risk-based experience. Other attendees at meetings during the year included the Head of Internal Audit, Head of Risk Management and a representative from Lloyds Banking Group, the Company's major shareholder.

Duties

The Committee's oversight responsibilities include fostering a culture of effective risk identification and management, reviewing the major and emerging risks affecting the Group, as referred to in the Principal Risks and Uncertainties section of the Business Review on pages 30 and 31, and undertaking an annual review of risk management arrangements. The Committee can call for reports from senior management on how principal risks are being managed and annually review the procedures for the identification, recording and mitigating of principal risks. Where necessary, the Committee makes recommendations for changes in risk-related practices and procedures and can seek external input for its work. The Committee is also responsible for reviewing any correspondence and actions resulting from FSA ARROW reviews.

The Risk Appetite Statement and risk policies are reviewed annually and all material areas of concern, or weakness, reported to the Audit Committee and the Board. The Group Risk Director reports to the Committee on risk issues at each meeting and has direct access to the Chairman of the Risk Committee, should the need arise. The Group Risk Director's remuneration is approved by the Remuneration Committee. The Terms of Reference setting out the Committee's role and authority can be found on the corporate website at www.sjp.co.uk.

Activities

During the year, the Committee received regular management reports from senior executives on risk identification and mitigation within their areas of the business. These included an update on contractual and legal risks and a review of Partners' other business interests.

The Committee reviewed and discussed the risks identified on the Emerging, Topical and Corporate Risk Schedules as well as the annual Risk Appetite Statement, the Internal Audit plan and the Individual Capital Assessment for SJP UK. At its first meeting of 2011, the Committee held a discussion on potential sources of unexpected risk in the year ahead.

The annual Money Laundering Reporting Officers' report was reviewed and approved by the Committee during the year. The report included an examination of the governance framework, operation of systems and controls and training requirements in respect of anti-money laundering activities within the Group.

The Committee also discussed and approved the Risk Management Annual Report during the year, which set out the views of the Risk Division on how well the Group discharged its responsibilities under the FSA's risk management principles.

Internal Control and Risk Management

The Board retains overall responsibility for the effectiveness of the Group's system of risk management and internal control systems (including, financial, operational and compliance controls). The Audit and Risk Committees of the Board, along with appropriately structured, staffed and qualified Internal Audit, Risk Management and Compliance functions support the Directors in the discharge of these responsibilities and oversee their outcome.

The Group has fully complied with provision C.2.1 of the UK Corporate Governance Code throughout the financial year and up to the date of approval of the Annual Report and Accounts.

The Directors and senior managers of the Group are committed to maintaining a strong control culture within all business areas and have processes for evaluating and managing the significant risks faced by the Group. Adherences to codes of conduct are required at all times and the Board actively promotes a culture of quality and integrity. In addition to these ongoing procedures, the Audit Committee conducts an annual review that considers the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance. The review also includes the nature and scope of the ongoing monitoring processes, including the effectiveness of the Internal Audit function and the potential impact during the year on these processes from any changes to the risks that the Group faces.

The Group utilises a number of outsourced service providers to provide administration services. These are detailed in formal contracts and their delivery is monitored by dedicated relationship managers against documented Service Level Agreements and Key Performance Indicators.

Each year the outsourced service providers are required to confirm and evidence the adequacy and effectiveness of their internal control framework (as assessed against the requirements of the COSO Internal Control – Integrated Framework). They are also required to confirm that no material control issues have been identified in their operations over the course of the year.

The Company operates a multilayered framework of internal controls over its financial reporting processes. The key elements of the framework comprise the documentation, performance and assessment of controls in key risk areas, monthly review and sign-off of all financial accounting data submitted by outsourced service providers together with the results of all subsidiaries within the Group, and the formal review of the financial statements by senior management, for both individual companies within the Group as well as at the consolidated Group level. In addition, the published financial statements of the Company and the Group are formally reviewed by the Audit Committee, with particular focus on key areas of judgement and accounting estimates.

This system of internal control is designed to ensure that the primary objectives of compliance with applicable laws and regulation, effective and efficient operations, quality financial and operational reporting and safeguarding of assets, are met.

When significant control issues have occurred, the Audit Committee has received full and detailed reports from management and Internal Audit, including proposals for amending and strengthening the business systems involved in line with the Group's focus on continuous improvement. Where appropriate, such issues have been referred to the Board by the Chairman of the Audit Committee and the Group Risk Director for further discussion.

In establishing the system of internal control, the Directors have regard to the materiality of relevant risks, the likelihood of risks occurring and the cost of mitigating risks. It is therefore designed to manage, rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, not absolute assurance against material financial mis-statement or loss.

In the Board's view, the information it has received from entity-wide risk assessment, operational management, and the reports issued by Internal Audit has been sufficient to enable it to properly review the effectiveness of the Company's system of internal control, in accordance with the Turnbull Guidance for Directors on Internal Control.

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ('United Kingdom Accounting Standards and applicable law'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have chosen to prepare supplementary information in accordance with the European Embedded Value Principles issued in May 2004 by the Chief Financial Officers Forum, as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 ('the EEV Principles'). When compliance with the EEV Principles is stated, those principles require the Directors to prepare supplementary information in accordance with the Embedded Value methodology ('EVM') contained in the EEV Principles and to disclose and explain any non-compliance with the EEV Guidance included in the EEV Principles.

In preparing the EEV supplementary information, the Directors have:
- prepared the supplementary information in accordance with the EEV Principles;
- identified and described the business covered by the EVM;
- applied the EVM consistently to the covered business;
- determined assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then applied them consistently; and
- made estimates that are reasonable and consistent.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in Board of Directors section of the Annual Report confirm that, to the best of their knowledge:
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the European Embedded Value ('EEV') supplementary information has been prepared in accordance with the European Embedded Value Principles issued in May 2004 by the Chief Financial Officers Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 ('the EEV Principles'); and
- the business review referenced to in the Directors' Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

H J Gladman
Company Secretary
21 February 2012

Remuneration Report

The Directors present the Remuneration Report for the financial year ended 31 December 2011 which has been prepared on behalf of the Remuneration Committee ('the Committee') and in accordance with the requirements of the Companies Act 2006. Shareholders will be invited to approve the report at the Annual General Meeting on 8 May 2012. The Report contains information relating to executive remuneration policy, including Directors' pay and benefits, share awards and pension provision. It also contains additional information required by the FSA Listing Rules and the UK Corporate Governance Code.

The sections marked with an asterisk ('*') are subject to audit by PricewaterhouseCoopers LLP.

Role of the Committee

The Committee, on behalf of the Board, determines the remuneration packages of the Executive Directors of the Company and the Chairman. In addition, the Committee monitors the remuneration of the senior management team, including the Group Risk Director and his colleagues in the Risk Division, and oversees the operation of the executive long-term incentive schemes and all employee share schemes.

The membership and terms of reference of the Committee are reviewed annually and the Terms of Reference are available on the Company's website. Details of the number of meetings of the Committee during the year can be found in the Corporate Governance Report on page 59.

Membership of the Committee

The members of the Committee (all independent Non-executive Directors) are as follows:

Sarah Bates – Chairman, Senior Independent Non-executive Director
Vivian Bazalgette
Roger Walsom

Derek Netherton, Charles Gregson and Michael Sorkin stepped down as members of the Committee on 1 July 2011 and Sarah Bates and Vivian Bazalgette were appointed to the Committee on that date. Both have been through a detailed induction process on remuneration issues and have been fully briefed on the operation of the policy. Biographical details of the current members of the Committee are set out on pages 50 and 51.

The Company Secretary acts as Secretary to the Committee and provides advice on corporate governance, legal and regulatory issues as well as the design and operation of the long-term incentive schemes. The Committee may request attendance at meetings of members of the executive team or other third parties as they see fit. The Chairman of the Risk Committee attends meetings periodically as part of the Company's risk management process and Roger Walsom is also a member of the Risk Committee.

Advisers to the Committee

The Committee has access to detailed external information and research on market data and trends from independent remuneration consultants New Bridge Street. New Bridge Street was appointed by the Committee to provide advice and data on executive remuneration, long-term incentives and other remuneration issues. Neither New Bridge Street, nor its parent company Aon Corporation, has provided any other services to the Company during the year other than some consultancy work relating to the property fund which Aon Hewitt provided to the Investment Committee.

The Chief Executive is normally invited to attend Committee meetings to provide information on corporate or individual performance to the Committee, or to provide recommendations regarding the remuneration packages of individual Directors. The Chief Financial Officer attends Committee meetings periodically to provide financial information relating to the Group. Any recommendations from the management team are discussed by the Committee and adopted or amended as the Committee sees fit. No Director is present at any part of a meeting of the Committee when their individual remuneration or contractual terms are being discussed.

Remuneration Policy

The remuneration policy is designed to support and encourage the delivery of the Group's short-term and long-term business objectives by ensuring that the annual bonus scheme and longer-term incentives are based on measures reflecting growth in shareholder value, as described more fully below. The Committee aims to ensure that remuneration packages are sufficiently competitive to attract, retain and motivate executives of the highest calibre, whilst encouraging sustainable long-term performance through the delivery of a significant proportion of remuneration in St. James's Place shares, deferred for three years.

The short and long-term incentive schemes are designed to be retentive in nature as well as linking part of the value of an award to movements in the share price, in line with shareholder interests. Approximately 55 to 60% of the total remuneration of the Executive Directors is performance related.

When setting the remuneration policy, the Committee applies the principles set out in Schedule A of the UK Corporate Governance Code and also takes into account best practice guidance issued by the major UK institutional investor bodies, the FSA and other relevant organisations.

The Committee aims (so far as practicable) to set fixed benefits (salary, pension and fringe benefits) at below the median position for UK listed companies of a similar size, with significant annual bonus and long-term incentive awards enhancing an executive's potential total remuneration to above the median, but only if stretching short-term and long-term performance targets are achieved.

The Committee acknowledges that it is not always possible to achieve this policy in the short-term as the Committee uses comparator data as a guide only (recognising that data can be volatile and must be used carefully to avoid the risk of an upward ratchet in remuneration) or there is a need to phase-in changes over a period of time. For example, the Committee is aware that, in terms of total remuneration, the packages for some of the Executive Directors are still below its assessment of market median levels, particularly in relation to the package for the Chief Executive.

Shareholding Guidelines

The Committee operates shareholding guidelines for the Executive Directors whereby, as and when awards vest under the Performance Share Plan or other long-term incentive schemes, the Executive Directors are required to retain no fewer than 50% of the vested shares, less any shares required to pay any tax liability which arises on vesting, until such time as a shareholding equivalent to 100% of base salary has been achieved.

At the year-end share price of £3.245, the value of shares in the Company held by Executive Directors as at 31 December 2011, calculated as a percentage of their base salary, is as follows:

Director	Value as a % of Base Salary
David Bellamy	822%
Andrew Croft	622%
Ian Gascoigne	554%
David Lamb	396%

Note: Calculations include beneficial and non-beneficial interests in ordinary shares of the Company, where applicable.

Risk and the FSA Remuneration Code

The Committee considers carefully every year the level of risk inherent in the remuneration policy. The Committee has reviewed the remuneration policy in light of the recommendations contained in the FSA Remuneration Code ('the Code') and associated guidance. Despite the fact that St. James's Place is not required to comply with the Code, the Committee considered the principles set out in the Code and amended the remuneration policy in certain respects, recognising that some aspects of the Code provisions are relevant to companies like St. James's Place.

The Remuneration Committee has, for some time, had an overall responsibility to be aware of the remuneration policies and structures of the Group as a whole. The Terms of Reference of the Committee include a review of remuneration policy on a firm-wide basis. In addition, the Remuneration Committee works closely with the Risk Committee to ensure that the incentive arrangements are appropriately adjusted for risk. In this regard Roger Walsom is a member of both Committees, so as to ensure continuity and Mike Power, a Non-executive Director who Chairs the Risk Committee, attends Remuneration Committee meetings periodically.

The Committee's Terms of Reference also cover specifically the remuneration of senior risk-based employees and include oversight of remuneration policy and outcomes in respect of 'high-end' employees earning on average more than the Executive Directors, although there are no such high-end employees within the St. James's Place Group who fall into this category at present.

The structure of the overall remuneration package is considered to be effective from a risk adjustment perspective. The annual bonus plan contains a mix of financial and non-financial performance metrics, where performance conditions are tailored to the business outlook and strategy. Financial performance conditions are based on the profitability of St. James's Place, looking at EEV operating profit and profit from new business. The setting of metrics and their assessment is rigorously assessed from a risk perspective, with input from Mike Power. Deferral of annual bonus payments has for many years been part of the remuneration policy. 50% of any sum paid to executives under the annual discretionary bonus scheme is invested in St. James's Place shares and deferred for three years under the Deferred Bonus Scheme. This increases the performance time-horizon of the annual bonus plan beyond a single financial year.

The majority of the incentive pay comes in the form of a long-term incentive scheme ('the Performance Share Plan') under which each award is subject to stretching performance targets measured over multi-year performance periods, with the performance period for subsequent awards overlapping the previous award. This ensures that there is no particular incentive to maximise performance over a particular period. The Committee considers that three years is a sufficiently long vesting period over which to measure performance, taking account of the fact that the Group's business model has a lower risk profile than the largest banks and other financial services companies which are the main focus of the Code.

With effect from 2011 the terms of the Annual bonus, Deferred Bonus Scheme and the Performance Share Plan were amended to incorporate provisions to claw back payments made in certain circumstances, such as financial mis-statement or significant misconduct.

As stated above, the Executive Directors are expected to build and maintain a shareholding in the Company worth a minimum of 100% of base salary, to be built up over a period of time. As shown above, the shareholdings of the Executive Directors are well in excess of that requirement.

Salaries

Salaries are reviewed annually at the start of the year, using comparative company data provided by New Bridge Street and any increases take effect from 1 March. As stated above, the Committee aims (so far as practicable) to set fixed benefits (salary, pension and fringe benefits) below the median position for UK listed companies of a similar size to the Company, with adjustments then being made to take into account the responsibility and accountabilities of each role, the experience of the relevant individual and any other relevant factors.

It was noted that the Executive Directors had decided to freeze the salaries of the senior management team in 2012, other than in respect of those promoted or where special circumstances existed, with more junior employees receiving (on average) a 3% increase in salary. As a result, the Chief Executive recommended to the Committee that there be no increase to the salaries of the Executive Directors in 2012 and this recommendation was accepted by the Committee.

Accordingly, the 2012 salaries for the Executive Directors are as follows:

Director	2011 Salary	2012 Salary
David Bellamy	£465,000	£465,000
Andrew Croft	£336,000	£336,000
Ian Gascoigne	£336,000	£336,000
David Lamb	£336,000	£336,000

Annual Bonus

For 2012, as in previous years, the Committee has determined that the maximum annual bonus will be 120% of salary, with half of any bonus award payable in cash, the remainder being invested in the Company's shares and deferred for three years ('the Deferred Bonus').

As in 2011, the Committee decided that it was appropriate to measure the financial performance of the Group using two metrics. Up to 40% of salary will be awarded by reference to growth in the Group's European Embedded Value ('EEV') operating profit before tax, with a further 40% being awarded by reference to growth in the Group's profit from new business. Both measures are used by shareholders to assess the underlying profitability of the Group. The operating profit metric includes the impact of persistency on funds under management and other operational variances and the new business profit metric aligns a proportion of Executive Directors' remuneration to growth in new business and the control of expenses.

The operating profit and profit from new business targets set by the Committee are based on a sliding scale, to progressively reward incremental performance, with the bottom end of the scales representing an increase in operating profit and new business profit compared with 2011 (which itself represented an all-time-high figure), after excluding the impact of the exceptional experience variance in the 2011 results.

Up to a further 40% of salary may be awarded by the Committee by reference to the performance of the Executive Directors as a team, based on a review by the Committee of the performance of the Executive Directors in completing the main non-financial objectives set out in the 2012 Business Plan, agreed by the Board. The Committee believes it is appropriate to assess the performance of the Directors as a team as it considers that the emphasis on team performance fits with the culture and management ethos within the Director team. These objectives include achieving targets in relation to exams passed by the Partnership towards Diploma qualifications, preparing for the introduction of the various regulatory changes in 2013 as a result of the FSA's Retail Distribution Review, growth in net new funds under management, enhancing the range of investment funds and standards of service for St. James's Place clients, the successful recruitment and retention of high quality new Partners, successfully controlling and mitigating the material risks that could impact the Group and maintaining the Group's good relations with its shareholders and regulators.

A framework for the assessment of the financial and non-financial objectives has been agreed with the Committee and the performance of the Executive Directors against the objectives will be reviewed by the Committee at the end of the year.

The Committee retains the discretion to amend each element of the bonus, up or down, within the overall cap of 120% of salary, to take into account other relevant factors such as the Group's performance compared to competitor organisations or, for instance, an exceptional positive or negative event which impacts the Group.

The mechanisms for identifying, assessing, managing and monitoring risk are an integral part of the management process at St. James's Place. When setting the performance targets for the annual bonus plan, the Committee takes into account the principles laid down in the Company's Risk Appetite Statement to ensure that the incentive arrangements support the business objectives and do not encourage a culture of excessive risk-taking. The Risk Committee of the Board has also reviewed the incentive arrangements from a risk perspective. In the event of a material risk failure the Committee may override the formulaic outturn of the bonus plan.

The Committee is also able to take into account the performance of the Group on environmental, social and governance ('ESG') matters when assessing the bonus to be paid to the Executive Directors. The Committee believes that this structure helps to alleviate any ESG risks affecting the Group.

No Executive Director has a contractual right to receive an annual bonus award. The satisfaction of the targets set by the Committee is assessed by reference to the Company's internal management information systems and verified by the Committee, which the Committee believes is the most appropriate method, given the internal nature of most of the performance targets. Financial performance metrics such as operating profit and new business profit are also verified by the Company's auditors.

The Committee believes that the annual bonus scheme is an effective incentive for the Executive Directors, whilst at the same time offering strong retentive characteristics through the deferred element, which normally lapses if an executive leaves the Group, as well as being aligned with shareholder interests due to the value of the deferred element of the award on vesting being dependent on share price performance.

The Committee also believes that the annual bonus scheme provides a rounded assessment of the performance of the Executive Directors, together with enhanced risk mitigation characteristics due to the two different profit-based metrics and a significant focus on non-financial objectives, including those based on risk mitigation.

With effect from 2011 the annual bonus plan (including the deferred shares element) was subject to a clawback provision whereby payments can be reclaimed in the event of financial mis-statement or significant misconduct.

Long-Term Incentive Scheme

The executive long-term incentive plan operated by the Company is the Performance Share Plan ('PSP') approved by shareholders in 2005. Under the PSP, the Committee may make awards of performance shares to the Executive Directors up to a limit of 200% of salary, with such awards normally vesting after three years, subject to the achievement of challenging performance conditions and continued employment. The PSP is also used to make awards to other senior managers within the Group.

The Committee reviewed the grant levels under the PSP and decided to retain the existing grant levels of 175% of salary for Andrew Croft, Ian Gascoigne and David Lamb and 190% of salary for David Bellamy. When making this decision, based on data provided by New Bridge Street, the Committee noted that their potential total remuneration would continue to be at or below the market median.

The Committee also reviewed the performance conditions for the 2012 PSP awards to ensure that they were appropriately challenging and provided an appropriate risk adjusted performance measurement basis.

For 2012 PSP awards (as in 2011), one-third of the shares is subject to an EPS growth condition based on EEV adjusted profit, calculated as explained below. A separate one-third of the shares is subject to an EPS growth condition based on EEV adjusted profit, but excluding the impact of the EEV unwind of the discount rate as this provides a better link to long-term management performance as stock market movements do not impact this measure. The final one-third of the shares is subject to a comparative Total Shareholder Return ('TSR') condition. All three performance conditions are measured over a single three-year period. The Committee believes that the mix of these three performance conditions provides an appropriate balance of targets that both incentivise the executives to achieve stretching long-term financial performance targets, whilst also keeping their interests aligned with those of shareholders.

The first EPS performance condition is calculated by reference to adjusted consolidated profit after tax on the EEV basis of accounting for both the life and unit trust businesses (on a fully diluted per share basis). The effect of the adjustment to the consolidated after tax figures will be to strip out the post-tax EEV investment variance and any economic assumption change in the final year of the performance period. Shareholders will appreciate that these factors are not within the control of management and can produce wide variations in reported earnings due to stock market fluctuations. However, this measure of EPS is still impacted by stock market movements in the prior year due to the impact of any such movements on the unwind of the discount rate in the current year.

The second EPS performance condition is calculated in a similar way to the first EPS condition, save that a further adjustment is made to strip out the impact of the unwind of the discount rate. This adjustment eliminates any direct impact of stock market volatility and changes in the economic assumptions throughout the whole three-year period of the performance condition.

The Committee considered the sliding scale between threshold and maximum performance for each of the EPS-based performance conditions, being careful to ensure that the ranges are suitably stretching in the context of the prospects of the Company and the current operating environment, but without there being any undue pressure for management to take inappropriate risks. For 2012 awards, the Committee determined that (as in 2011) the growth ranges for both of the EPS performance conditions should require average annual EPS growth of RPI+5% to 16% p.a.

When assessing the EPS performance conditions for the 2012 PSP awards, the Committee noted that the base point of the 2011 financial year end from where the growth in EPS would be measured represents a material increase over the previous year. The Committee has also looked at analysts' forecasts for the Company and the sector and the EPS growth ranges adopted in long-term incentive plans operated by similar businesses. Overall it considers that the growth range is generally above those set in most other comparable businesses and represents an equivalent level of challenge to those ranges set for previous PSP awards.

In relation to the one-third of the award based on TSR performance, the Committee decided that, for 2012 awards, the TSR comparator group should continue to be the constituent companies of the FTSE 250, excluding investment trusts and also companies in the FTSE Oil & Gas Producers and FTSE Mining sectors as their share prices are likely to be impacted by changes in commodity prices.

The Committee is satisfied that the mix of these different performance metrics provides a strong link to the visible outputs of the business strategy, which is to deliver sustained increases in profitability and superior shareholder returns.

A summary of the sliding scale performance conditions is set out below:

One third of the award based on EPS (including the unwind of the discount rate) and the separate one third of the award based on EPS (excluding the unwind of the discount rate).

Average annual earnings growth	Percentage of one third of award exercisable
Below RPI + 5%	Zero
RPI + 5%	25%
RPI + 16% or more	100%
Between the above points	Pro rata between 25% and 100%

One third of the award based on TSR:

Company's ranking within FTSE 250 based comparator group	Percentage of one third of award exercisable
Below median	Zero
Median	25%
Upper quartile or above	100%
Between the above points	Pro rata between 25% and 100%

With effect from 2011, PSP awards have been subject to a clawback provision whereby payments can be reclaimed in the event of financial misstatement or significant misconduct.

Details of previous awards made under the PSP are set out on page 74. Awards under the PSP are largely satisfied by the issue of new shares in the Company. Full details of the current position of the Company against its dilution limits are set out on page 77.

All Employee Incentive Schemes

All UK employees of the Group, including the Executive Directors, are eligible to enter into a Save As You Earn (SAYE) contract, under which they are able to save up to £250 per month, and at the end of a three year savings period acquire shares in the Company at a price not less than 80% of the market price of the Company's shares at the date of the invitation to participate.

In addition, all UK employees of the Group, including the Executive Directors, are invited to participate in a Share Incentive Plan each year, providing the opportunity to purchase St. James's Place shares up to the value of £1,500 at the date of appropriation, out of pre-tax salary. Matching shares on a ratio of one matching share for every ten St. James's Place shares acquired are also offered, with the matching shares subject to forfeiture during a holding period of three years.

Pension and Death in Service Benefits

As in previous years, employer contributions of 20% of base salary are made to the money purchase Group personal pension for the Executive Directors, except for those Executives who are impacted by the pension cap, in which case the equivalent amount is paid to the Executive as an additional (non-pensionable) salary supplement. As a result of the pension changes announced by the Government restricting tax relief on pension contributions to £50,000 from April 2011, the Committee agreed that up to £50,000 of the 20% of base salary contribution will continue to be paid into the Group personal pension for the Executive Directors (unless impacted by the pension cap), with any excess being paid as an additional salary supplement as before.

The costs of the pension and death in service arrangements for the Executive Directors during the year ended 31 December 2011 are shown on page 73.

Service Agreements

It is the Committee's policy that service agreements should not contain notice periods in excess of one year. The terms and conditions of the Directors' service agreements are reviewed regularly and all service agreements contain an express obligation on the executive to mitigate his loss in the event the agreement is terminated. In addition, the Company reserves the right to pay an amount representing the value of salary and benefits in lieu of any outstanding period of notice on a monthly basis so that, should the executive obtain alternative employment during the notice period, the monthly payments can be reduced to take into account any earnings received under the new employment.

When considering the size of any proposed termination payment, the Committee would take into account a number of factors including the health, length of service and performance of the relevant executive, including the duty to mitigate his own loss, with a broad aim to avoid rewarding poor performance while dealing fairly with cases where the departure is due to other reasons, for example illness.

All of the Executive Directors have entered into a service agreement with the Company. Each service agreement can be terminated, inter alia, by either party giving the other not less than twelve months' written notice. No enhanced rights or benefits (other than those previously approved by shareholders in relation to the Group's share incentive schemes) are payable to the Executive Directors on termination, resignation or retirement or as a result of any other event such as a change of control of the Company. All the service agreements provide for benefits in kind, including life assurance, pension provision, private health insurance and a company car.

Further details of the service agreements of the Executive Directors are provided below:

Director	Date of contract	Date contract automatically terminates
David Bellamy	8 August 2006	15 April 2018
Ian Gascoigne	8 August 2006	7 July 2021
David Lamb	8 August 2006	31 January 2022
Andrew Croft	8 August 2006	11 June 2029

Mike Wilson's service contract ended on 31 December 2011, the date he retired from the Board. He continues to be employed by the Group on a part-time basis in his capacity as Chairman of the St. James's Place Foundation (the Group's charity, more details of which are set out on page 38) and as a consultant in respect of the St. James's Place Academy. These both remain key strategic priorities for the Company and Mike Wilson's ongoing involvement will be highly beneficial to the business. The Committee approved a new package for Mike Wilson, with a salary of £200,000 per annum. He is not entitled to a bonus, car or pension allowance, or further awards under the PSP scheme. His package includes certain other fringe benefits applicable to employees of the Group such as private health cover and critical illness cover. His employment can be terminated on three months' notice.

Currently, no Executive Director acts as a Non-executive Director on the Board of another company. David Lamb was appointed to the Board of the Association of Private Client Investment Managers and Stockbrokers (APCIMS) in April 2011, for which no fee was paid.

Non-executive Directors

The remuneration of the Non-executive Directors is determined by the Board as a whole, within the limits set by the provisions of the Articles of Association. In 2011, a basic annual fee of £26,250 per annum was paid to the Non-executive Directors, with additional fees being paid in respect of Board Committee and other responsibilities. The Board reviewed the fees paid to the Non-executive Directors in January 2012 and it was decided to leave the fee levels unchanged in 2012 in light of the decision to freeze the salaries of the senior management team.

The Committee reviewed the fee to be paid to Charles Gregson in light of his appointment as Chairman from 1 January 2012. With the help of comparative data provided by New Bridge Street, the Committee decided that the fee should be set at £165,000 for 2012, subject to annual review thereafter.

Set out below are the annual fees paid to the Non-executive Directors in 2011 and those currently payable in relation to 2012:

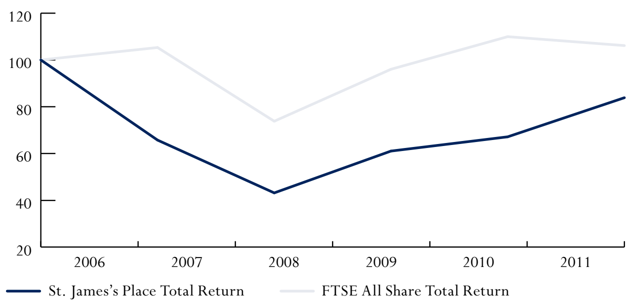
Director	2011 Fee £	2012 Fee(vi) £	Date of letter of appointment
Sarah Bates	68,775	63,525	26 July 2004
Vivian Bazalgette (i)	53,175	64,050	27 May 2011
Steve Colsell (ii)	26,250	26,250	30 January 2009
Iain Cornish (iii)	10,500	57,750	28 September 2011
Charles Gregson (iv)	48,300	165,000	15 November 2011
Derek Netherton (v)	49,875	–	15 March 1999
Mike Power	64,050	70,350	22 April 2005
Michael Sorkin (v)	61,950	–	16 October 2001
Roger Walsom	45,150	45,150	21 July 2005

Notes:
(i) Vivian Bazalgette was appointed to the Board on 1 July 2011 but received fees from the Company prior to his appointment as an independent member of the Investment Committee.
(ii) Fees for Steve Colsell were paid directly to Lloyds Banking Group plc ('LBG').
(iii) Iain Cornish was appointed to the Board on 1 October 2011.
(iv) Charles Gregson was appointed as Non-executive Chairman on 1 January 2012.
(v) Derek Netherton and Michael Sorkin resigned from the Board on 31 December 2011.
(vi) Changes in fees from 2011 to 2012 reflect changes in Committee membership

The Non-executive Directors do not have service contracts or any benefits in kind arrangements and do not participate in any of the Group's pension or long-term incentive arrangements. The term of the appointment of each Non-executive Director (other than those appointed by Lloyds Banking Group plc pursuant to the Relationship Agreement described more fully on page 60) is for three years, at which time the appointment will be reviewed by the Board. Any period of service longer than six years is subject to particularly rigorous review by the Nomination Committee of the Board.

Performance Graph

The graph below, prepared in accordance with the Companies Act 2006, shows a comparison of the Company's TSR performance against the FTSE All-Share index over the last five financial years. The Company considers this to be the most appropriate comparative index, given the broad nature of the index and the companies within it.



Directors' Remuneration *

Total Directors' remuneration for the year ended 31 December 2011 is shown below, with comparative figures for the year ended 31 December 2010:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£	£
Aggregate emoluments		
Fees to Non-executive Directors	**428,025**	350,716
Emoluments to Executive Directors	**3,152,584**	3,552,314
Aggregate gains on exercise of share awards	**1,949,983**	33,000
Company contributions to money purchase pension schemes – see note (iii) to the table below	**354,668**	340,000
	5,885,260	4,276,030

The following table, which has been prepared in accordance with regulatory requirements, sets out the elements of Directors' aggregate emoluments for the year ended 31 December 2011, or for the period ended 31 December 2011 if appointed during the year.

Director	Salaries & Fees	Cash Bonus	Deferred Bonus	Death In Service & Other Benefits	2011 Aggregate Emoluments	2010 Aggregate Emoluments
	£	£	£	£	£	£
Sarah Bates	68,775	–	–	–	68,775	55,000
Vivian Bazalgette	53,175	–	–	–	53,175	–
David Bellamy	458,333	174,375	174,375	53,313	860,396	990,441
Steve Colsell	26,250	–	–	–	26,250	25,000
Iain Cornish	10,500	–	–	–	10,500	–
Andrew Croft	333,333	126,000	126,000	40,793	626,126	728,291
Ian Gascoigne	333,333	126,000	126,000	46,469	631,802	730,660
Charles Gregson	48,300	–	–	–	48,300	46,000
David Lamb	333,333	126,000	126,000	41,774	627,107	730,682
Derek Netherton	49,875	–	–	–	49,875	55,000
Mike Power	64,050	–	–	–	64,050	58,000
Michael Sorkin	61,950	–	–	–	61,950	66,250
Roger Walsom	45,150	–	–	–	45,150	43,000
Mike Wilson	328,333	–	–	78,820	407,153	372,240

Notes:

(i) Death in service and other benefits comprise the entitlement to company car or cash equivalent, fuel, private health care, life and critical illness cover, permanent health insurance and health screening and are generally the amounts which are returned for taxation purposes.

(ii) The fees in respect of the services of Steve Colsell were paid directly to LBG plc.

(iii) Contractual entitlements to contributions to the money purchase group pension scheme for David Bellamy, Andrew Croft, Ian Gascoigne and David Lamb were £91,667 (2010: £85,000), £66,667 (2010: £64,000), £66,667 (2010: £64,000) and £66,667 (2010: £64,000) respectively, being 20% of the base salary earned in 2011. With effect from 6 April 2011 contribution levels were capped at the annual allowance of £50,000 by legislative changes, so a non-pensionable salary supplement was paid to the Executive Directors for the balance. Mike Wilson's contributions amounting to £63,000 (2010: £63,000) were paid as additional salary due to the pensions cap. No other Directors had any such contributions made on their behalf.

(iv) For the 2011 annual bonus, Executive Directors could earn up to 80% of salary by reference to the Group's financial performance, largely based on growth in EEV operating profit and the profit from new business, by reference to objectives set by the Committee at the start of the year. A further payment of up to 40% of salary could be earned by reference to the team performance of the Executive Directors, based on a number of non-financial objectives set at the start of the year by the Committee. The Committee met in January 2012 to review the performance of the Group and the executives against the objectives set at the start of the year.

As regards the elements of the annual bonus based on EEV operating profit and the profit from new business (being the EEV new business contribution plus the profits arising in the distribution company as shown in the segmental analysis), a breakdown of the performance is as follows:

In relation to the EEV operating profit, a range had been set requiring delivery of profit of between £355 million to £390 million. Actual EEV operating profit during the year was £371.5 million however, as described in the Financial Commentary on page 17, this result was significantly adversely impacted by the fall in the 10 year UK government gilt yield. In recognising that the fall in the gilt yield was not reflective of the operating performance of the business, the Committee took this into consideration and set the bonus at 30% out of the maximum 40%. Had the committee taken the full impact of the adverse movement in the UK gilt yield into account the bonus would have been set at 40%.

In relation to the profit from new business in 2011, a sliding scale had been set requiring profit from new business of between £241 million to £276 million. Actual profit from new business was £252.1 million (£246.0 million from EEV new business contribution and £6.1 million from distribution business), which led to a bonus of 15% out of 40%.

In relation to the team performance element of the bonus, recognising management's very good performance during the year, including a 6% increase in the size of the Partnership and good progress in members of the Partnership passing the necessary professional qualifications in advance of the December 2012 deadline, the Committee determined that 30% out of the maximum 40% should be payable. Overall, the total bonus payable for the year equated to 75% of salary out of the maximum of 120% of salary. The Committee is satisfied that this level of bonus is appropriate, and provides a good link to the overall performance of the business and management.

As explained on page 69, half of the annual bonus is paid in cash, with the other half being used to purchase St. James's Place shares which are subject to forfeiture for three years under the terms of the Deferred Bonus Scheme.

Share Awards

The tables below set out details of share awards that have been granted to individuals who were Directors during 2011 and which had yet to vest at some point during the year.

Performance Share Plan – awards held in return for qualifying services during 2011 *

Director	Balance at 1 January 2011	Granted in year (iv)	Lapsed in year (v)	Exercised in year	Balance at 31 December 2011	Dates from which exercisable
David Bellamy	229,936(i)	–	99,640	130,296	–	3 Mar 2011 to 3 Sept 2011
	331,168(ii)	–	–	–	331,168	2 Mar 2012 to 2 Sept 2012
	316,666(iii)	–	–	–	316,666	8 Mar 2013 to 8 Mar 2016
		267,322	–	–	267,322	15 Mar 2014 to 15 Mar 2017
Andrew Croft	173,128(i)	–	75,023	98,105	–	3 Mar 2011 to 3 Sept 2011
	249,350(ii)	–	–	–	249,350	2 Mar 2012 to 2 Sept 2012
	219,607(iii)	–	–	–	219,607	8 Mar 2013 to 8 Mar 2016
		177,912			177,912	15 Mar 2014 to 15 Mar 2017
Ian Gascoigne	173,128(i)	–	75,023	98,105	–	3 Mar 2011 to 3 Sept 2011
	249,350(ii)	–	–	–	249,350	2 Mar 2012 to 2 Sept 2012
	219,607(iii)	–	–	–	219,607	8 Mar 2013 to 8 Mar 2016
		177,912			177,912	15 Mar 2014 to 15 Mar 2017
David Lamb	135,256(i)	–	58,612	76,644	–	3 Mar 2011 to 3 Sept 2011
	218,181(ii)	–	–	–	218,181	2 Mar 2012 to 2 Sept 2012
	219,607(iii)	–	–	–	219,607	8 Mar 2013 to 8 Mar 2016
		177,912	–	–	177,912	15 Mar 2014 to 15 Mar 2017
Mike Wilson	284,039(i)	–	123,084	160,955	–	3 Mar 2011 to 3 Sept 2011
	245,454(ii)	–	–	–	245,454	2 Mar 2012 to 2 Sept 2012
	216,176(iii)	–	–	–	216,176	8 Mar 2013 to 8 Mar 2016
		175,264	–	–	175,264	15 Mar 2014 to 15 Mar 2017

Notes:

(i) These awards were made on 3 March 2008 when the St. James's Place plc share price was £2.585. The performance period was the three year period ending on 31 December 2010. The performance conditions relate to EPS for two-thirds of the award and TSR for one-third of the award, compared to a comparator group of other financial services companies. The EPS scale starts at RPI +7% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median.

(ii) These awards were made on 2 March 2009 when the St. James's Place share price was £1.73. The performance period is the three year period ending on 31 December 2011. The performance conditions relate to EPS for two-thirds of the award and TSR for one-third of the award, compared to a comparator group of other financial services companies. The EPS scale starts at RPI +7% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median.

(iii) These awards were made on 8 March 2010 when the St. James's Place share price was £2.55. The performance period is the three year period ending on 31 December 2012. The performance conditions relate to EPS (including the impact of the unwind of the discount rate, as described more fully on page 70) for one-third of the award, to EPS excluding the impact of the said unwind for one-third of the award and TSR for one-third of the award, compared to the FTSE All Share Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +7% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median. Up to 11,764 shares (being the £30k Inland Revenue cap on 'approved' share options) can be exercised via a linked award under an approved share option scheme with an exercise price of £2.55.

(iv) These awards were made on 15 March 2011 when the St. James's Place share price was £3.305. The performance period is the three year period ending on 31 December 2013. The performance conditions relate to EPS (including the impact of the unwind of the discount rate, as described more fully on page 70) for one-third of the award, to EPS excluding the impact of the said unwind for one-third of the award and TSR for one-third of the award, compared to the FTSE All Share Index, excluding investment trusts and companies in the oil, gas and mining sectors. The EPS scale starts at RPI +5% for 25% of the award to vest and ends at RPI +16% for 100% of the award to vest, with pro rata vesting between the said points. The TSR sliding scale is between median and upper quartile, with 25% of the TSR part of the award vesting at median.

(v) These awards lapsed in part due to the performance conditions based on EPS growth and TSR (more fully described in note (i) above) not being fully satisfied and, as a result, 43.3% of the award lapsed at the end of the performance period.

(vi) On 3 March 2011, when the mid market price was £3.0464, Ian Gascoigne exercised 98,105 PSP share awards resulting in a gain of £298,858. On 28 July 2011, when the mid market price was £3.543, David Bellamy exercised 130,296 PSP share awards resulting in a gain of £461,663, Andrew Croft exercised 98,105 PSP share awards resulting in a gain of £347,604, David Lamb exercised 76,644 PSP share awards resulting in a gain of £271,564 and Mike Wilson exercised 160,955 PSP share awards resulting in a gain of £570,294.

Deferred Bonus Scheme – Shares held during 2011*

The table below sets out details of the awards held by the Directors under the deferred element of the annual bonus scheme during 2011:

Director	Balance at 1 January 2011	Released during year (i)	Awarded during year (ii)	Balance at 31 December 2011 (iii)	Vesting date
David Bellamy	86,564	86,564	–	–	5 Mar 2011
	34,931	–	–	34,931	4 Mar 2012
	89,990	–	–	89,990	10 Mar 2013
			77,558	77,558	15 Mar 2014
Andrew Croft	64,923	64,923	–	–	5 Mar 2011
	26,301	–	–	26,301	4 Mar 2012
	67,757	–	–	67,757	10 Mar 2013
			58,397	58,397	15 Mar 2014
Ian Gascoigne	64,923	64,923	–	–	5 Mar 2011
	26,301	–	–	26,301	4 Mar 2012
	67,757	–	–	67,757	10 Mar 2013
			58,397	58,397	15 Mar 2014
David Lamb	41,478	41,478	–	–	5 Mar 2011
	23,972	–	–	23,972	4 Mar 2012
	59,287	–	–	59,287	10 Mar 2013
			58,397	58,397	15 Mar 2014

Notes:

(i) These deferred share awards were awarded on 5 March 2008 equal in value to the executive's 2007 annual cash bonus. The St. James's Place share price on the date of the grant was £2.7725 and on the date of release (7 March 2011) was £3.1730.

(ii) These deferred share awards were awarded on 15 March 2011, equal in value to the executive's 2010 annual cash bonus. These shares will be held for a restricted period ending on 15 March 2014. The St. James's Place share price on 15 March 2011 was £3.1508.

(iii) Outstanding awards at the year end relate to deferred share awards granted in 2009, 2010 and 2011 (see (ii) above). The share price at the date of the 2009 award (4 March 2009) was £1.85 and at the date of the 2010 award (10 March 2010) was £2.54.

(iv) Further details of the deferred element of the annual bonus scheme are set out on page 69.

SAYE Share Option Scheme – Options awarded in return for qualifying services during 2011 *

Details of the options held by the Directors in 2011 under the SAYE scheme and any movements during the year are as follows:

Director	Options held at 1 January 2011	Granted in year	Lapsed in year	Exercised in year	Options held at 31 December 2011	Exercise price	Dates from which exercisable
David Bellamy	6,100	–	–	–	6,100	£1.50	1 May 2012 to 31 Oct 2012
Andrew Croft	6,100	–	–	–	6,100	£1.50	1 May 2012 to 31 Oct 2012
Ian Gascoigne	6,100	–	–	–	6,100	£1.50	1 May 2012 to 31 Oct 2012
David Lamb	6,100	–	–	–	6,100	£1.50	1 May 2012 to 31 Oct 2012
Mike Wilson	6,100	–	–	–	6,100	£1.50	1 May 2012 to 31 Oct 2012

Notes:

At 31 December 2011 the mid market price for St. James's Place shares was £3.2450. The range of prices between 1 January 2011 and 31 December 2011 was between £2.716 and £3.76.

Share Incentive Plan – Shares held during 2011*

The table below sets out details of the awards held by the Directors under the Share Incentive Plan during 2011:

Director	Balance at 1 January 2011	Partnership shares allocated during year	Matching shares allocated during year	Balance at 31 December 2011	Holding period (matching shares)
Andrew Croft (i)	642	–	–	642	26 Mar 2010 to 26 Mar 2013
Ian Gascoigne (ii)	–	457	45	502	28 Mar 2011 to 28 Mar 2014

Notes:

(i) 584 Partnership shares were awarded on 26 March 2010 under the Share Incentive Plan at a price of £2.5675 per share, in return for £1,500 being deducted from Mr Croft's pre-tax salary. A further 58 Matching shares were awarded on the same date. The Partnership and Matching shares will be held by an employee benefit trust on behalf of the Director. The Matching shares must be held for a minimum period of three years from the date of the award.

(ii) 457 Partnership shares were awarded on 28 March 2011 under the Share Incentive Plan at a price of £3.2775 per share, in return for £1,500 being deducted from Mr Gascoigne's pre-tax salary. A further 45 Matching shares were awarded on the same date. The Partnership and Matching shares will be held by an employee benefit trust on behalf of the Director. The Matching shares must be held for a minimum period of three years from the date of the award.

Between 31 December 2011 and 21 February 2012 there were no transactions in the Company's share options by Directors.

Share Interests

St. James's Place plc*

The interests of the Directors in the share capital of the Company as at 1 January 2011 (or as at the date of appointment, if applicable) and as at 31 December 2011 (or as at the date of resignation, if applicable) are given below:

Director	31 December 2011 ordinary shares of 15 pence each	1 January 2011 ordinary shares of 15 pence each
Sarah Bates	13,500	13,500
Vivian Bazalgette (iv)	10,000	–
David Bellamy	1,177,698	1,142,028
Steve Colsell	–	–
Iain Cornish (v)	–	–
Andrew Croft	643,901	550,639
Ian Gascoigne	573,924	580,450
Charles Gregson	12,535	8,300
David Lamb	410,200	393,281
Derek Netherton (vii)	20,000	20,000
Mike Power	–	–
Michael Sorkin (vii)	–	–
Roger Walsom	3,194	3,194
Mike Wilson	4,718,636	4,638,361

Notes:

(i) The interests of the Directors include those of their Connected Persons as defined in section 96B(2) of the Financial Services and Markets Act.

(ii) The interests of the Executive Directors set out above include deferred bonus scheme awards held in trust for the Directors, details of which are set out on page 75. The interests of the Executive Directors also include awards under the Share Incentive Plan, details of which are set out above.

(iii) The Company's register of Directors' interests contains full details of Directors' shareholdings and any share awards under the Company's various share schemes.

(iv) Vivian Bazalgette was appointed to the Board on 1 July 2011.

(v) Iain Cornish was appointed to the Board on 1 October 2011.

(vi) Disclosure of the Directors' interests in share options is given on pages 74 and 75 of the Remuneration Report and also in Note 32 - Related Party Transactions.

(vii) Derek Netherton and Michael Sorkin resigned as Directors on 31 December 2011.

Between 31 December 2011 and 21 February 2012 there were no transactions in the Company's shares by Directors.

Dilution

Dilution limits agreed by shareholders at the time of shareholder approval of the various long-term incentive schemes allow for the following:

– up to 5% of share capital in ten years to be used for grants to employees under discretionary schemes;
– up to 10% of share capital in ten years to be used for grants to employees under all employee share schemes; and
– up to 15% of share capital in ten years to be used for grants to employees and members of the St. James's Place Partnership (the Group's sales force) under all share schemes i.e. both the employee and 'Partner' share schemes. This increased limit reflects the unique structure of the business and the importance of the Partnership to the ongoing success of the Group.

The table below sets out, as at 31 December 2011, the number of new ordinary shares in the Company which have been issued, or are capable of being issued (subject to the satisfaction of any applicable performance conditions) as a result of options or awards granted under the various long-term incentive schemes operated by the Company in the ten years prior to 31 December 2011.

Share Scheme	Number of new ordinary shares of 15 pence each	% of total issued share capital as at 31 December 2011
SAYE schemes	5,378,397	1.09%
Executive Share schemes	12,869,782	2.61%
Partners' Share schemes	32,111,383	6.51%
Total	50,359,562	10.21%

In addition, as at 31 December 2011, the Group's Employee Share Trust held 311,766 shares in the Company which were purchased in the market to satisfy awards made under the PSP and executive share option schemes.

A further 2,690,807 shares, registered to employees under the terms of the Group's deferred bonus scheme, have been allocated by the Group's Employee Share Trust. These shares are allocated to the relevant individuals on a restricted basis whereby the recipients are not entitled to the shares until completion of the three year restricted period. Further details of the deferred bonus scheme are set out on pages 69 and 70.

Lloyds Banking Group plc*

The Directors had no interests in the share capital of Lloyds Banking Group plc as at 31 December 2011 except for the beneficial interests set out below.

Director	31 December 2011 ordinary shares of 10 pence each in Lloyds Banking Group	1 January 2011 ordinary shares of 10 pence each in Lloyds Banking Group
Steve Colsell	111,538	52,411
Ian Gascoigne	8,086	8,086
David Lamb	307	307
Roger Walsom	567	567
Mike Wilson	954	954

Between 31 December 2011 and 21 February 2012 there have been no transactions in shares of the Lloyds Banking Group by the Directors.

Interests in Shares Held in Trusts

Certain Executive Directors and employees are deemed to have an interest or a potential interest as potential discretionary beneficiaries under the St. James's Place Employee Share Trust. As such, they were treated as at 31 December 2011 as being interested in 2,876,939 ordinary shares of 15 pence in the Company, such shares being held by S G Hambros Trust Company (Channel Islands) Limited, the trustee of that trust.

This report was approved by the Board of Directors and signed on its behalf by

Sarah Bates
Chairman, Remuneration Committee
21 February 2012

Consolidated Accounts
on International Financial Reporting Standards Basis

Independent Auditors' Report
to the Members of St. James's Place plc

We have audited the group financial statements of St. James's Place plc for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Accounts and the Financial Statements set out on pages 65 and 66, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements;
- the information given in the Corporate Governance Report set out on pages 56 to 66 in the Annual Report and Accounts with respect to internal control and risk management systems and about share capital structures is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:
- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the directors' statement, set out in the Directors' Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of St. James's Place plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Craig Gentle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 February 2012

(a) The financial statements are published on the website of St. James's Place plc, www.sjp.co.uk. 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.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

	Notes	Year Ended 31 December 2011	Year Ended 31 December 2010
		£' Million	£' Million
Insurance premium income		73.4	78.5
Less premiums ceded to reinsurers		(29.7)	(28.5)
Net insurance premium income		43.7	50.0
Fee and commission income	4	524.9	455.0
Investment return	5	(1,117.1)	2,626.7
Other operating income		1.6	1.4
Net income	3	(546.9)	3,133.1
Policy claims and benefits			
– Gross amount		(58.1)	(61.2)
– Reinsurers' share		23.1	20.8
Net policyholder claims and benefits incurred		(35.0)	(40.4)
Change in insurance contract liabilities			
– Gross amount		23.9	(29.8)
– Reinsurers' share		0.4	1.8
Net change in insurance contract liabilities		24.3	(28.0)
Investment contract benefits	22	1,070.7	(2,462.7)
Fees, commission and other acquisition costs		(369.3)	(320.0)
Administration expenses		(118.7)	(116.2)
Other operating expenses		(3.8)	(3.9)
	6	(491.8)	(440.1)
Profit before tax	3	21.3	161.9
Tax attributable to policyholders' returns	8	88.4	(77.7)
Profit before tax attributable to shareholders' returns		109.7	84.2
Total tax credit / (expense)	8	85.5	(106.9)
Less: tax attributable to policyholders' returns	8	(88.4)	77.7
Tax attributable to shareholders' returns	8	(2.9)	(29.2)
Profit and total comprehensive income for the year		106.8	55.0
		Pence	Pence
Basic earnings per share	9	21.9	11.4
Diluted earnings per share	9	21.2	11.2

The notes and information on pages 84 to 124 form part of these accounts.

Consolidated Statement of Changes in Equity

	Notes	Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Miscellaneous Reserves	Total
		£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
At 1 January 2010		72.3	90.5	(7.7)	382.4	2.3	539.8
Profit and total comprehensive income for the year					55.0		55.0
– Dividends	10				(22.6)		(22.6)
– Issue of share capital							
– Scrip dividend		0.1	1.9				2.0
– Exercise of options		0.5	5.7				6.2
Consideration paid for own shares				(2.4)			(2.4)
Own shares vesting charge				1.9	(1.9)		–
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	30				8.2		8.2
At 31 December 2010		72.9	98.1	(8.2)	421.2	2.3	586.3
Profit and total comprehensive income for the year					106.8		106.8
– Dividends	10				(35.1)		(35.1)
– Issue of share capital							
– Scrip dividend		0.2	3.3				3.5
– Exercise of options		0.9	9.0				9.9
Consideration paid for own shares				(3.6)			(3.6)
Own shares vesting charge				3.3	(3.3)		–
Retained earnings credit in respect of share option charges	30				10.5		10.5
At 31 December 2011		**74.0**	**110.4**	**(8.5)**	**500.1**	**2.3**	**678.3**

The number of shares held in the Treasury Share Reserve is given in Note 29 Share Capital on page 118.

Miscellaneous reserves represent other non-distributable reserves.

The notes and information on pages 84 to 124 form part of these accounts.

Consolidated Statement of Financial Position

	Notes	31 December 2011	31 December 2010
		£' Million	£' Million
Assets			
Intangible assets			
– Deferred acquisition costs	11	**865.1**	755.7
– Acquired value of in-force business	11	**46.4**	50.2
– Computer software	11	**8.4**	2.1
– Customer list	11	**0.9**	–
		920.8	808.0
Property & equipment	12	**5.4**	7.7
Deferred tax assets	13	**248.5**	158.2
Investment property	14	**550.9**	397.8
Investments			
– Equities		**15,743.4**	15,835.7
– Fixed income securities		**3,758.1**	2,939.1
– Investment in Collective Investment Schemes		**3,002.7**	2,558.5
– Derivative financial instruments		**28.2**	3.5
Reinsurance assets	20	**39.0**	38.6
Insurance and investment contract receivables		**44.5**	14.2
Income tax assets		**41.3**	37.0
Other receivables	16	**530.2**	547.1
Cash & cash equivalents	17	**2,329.3**	2,042.0
Total assets		**27,242.3**	**25,387.4**
Liabilities			
Insurance contract liabilities	19	**394.0**	417.9
Other provisions	21	**3.1**	3.6
Financial liabilities			
– Investment contracts	22	**22,227.3**	21,191.9
– Borrowings	23	**43.8**	15.9
– Derivative financial instruments		**43.4**	20.4
Deferred tax liabilities	24	**218.9**	224.3
Insurance and investment contract payables		**29.9**	44.6
Deferred income	25	**536.9**	469.6
Income tax liabilities		**12.4**	34.4
Other payables	26	**376.4**	433.6
Net asset value attributable to unit holders		**2,677.9**	1,944.9
Total liabilities		**26,564.0**	**24,801.1**
Net assets		**678.3**	**586.3**
Shareholders' equity			
Share capital	29	**74.0**	72.9
Share premium		**110.4**	98.1
Treasury shares reserve		**(8.5)**	(8.2)
Miscellaneous reserves		**2.3**	2.3
Retained earnings		**500.1**	421.2
Total shareholders' equity		**678.3**	**586.3**
		Pence	Pence
Net assets per share		**137.5**	120.6

The financial statements on pages 80 to 124 were approved by the Board of Directors on 21 February 2012 and signed on its behalf by:

D Bellamy
Chief Executive

A Croft
Chief Financial Officer

The notes and information on pages 84 to 124 form part of these accounts.

Consolidated Statement of Cash Flows

	Notes	Year Ended 31 December 2011	Year Ended 31 December 2010
		£' Million	£' Million
Cash flows from operating activities			
Profit before tax for the period		**21.3**	161.9
Adjustments for:			
Depreciation	12	**2.6**	3.6
Impairment losses	12	**0.1**	0.5
Amortisation of acquired value of in-force business	11	**3.8**	3.9
Amortisation of computer software	11	**0.3**	–
Fair value gains on non-operating investments		**(0.3)**	–
Share based payment charge	30	**10.5**	8.2
Changes in operating assets and liabilities			
Increase in deferred acquisition costs		**(109.4)**	(113.3)
(Increase) / decrease in investment property		**(153.1)**	3.9
Increase in investments		**(1,195.6)**	(4,952.6)
Increase in reassurance assets		**(0.4)**	(1.8)
(Increase) / decrease in insurance and investment contract receivables		**(30.3)**	3.2
Decrease / (increase) in other receivables		**6.1**	(357.3)
(Decrease) / increase in insurance contract liabilities		**(23.9)**	29.8
Decrease in provisions		**(0.5)**	(1.2)
Increase in financial liabilities (excluding borrowings)		**1,058.5**	4,234.2
(Decrease) / increase in insurance and investment contract payables		**(14.7)**	23.1
Increase in deferred income		**67.3**	68.5
(Decrease) / increase in other payables		**(57.2)**	291.2
Increase in net assets attributable to unit holders		**733.0**	943.2
Cash generated from operating activities		**318.1**	349.0
Income taxes (paid) / received		**(25.6)**	5.1
Net cash from operating activities		**292.5**	354.1
Cash flows from investing activities			
Acquisition of property & equipment		**(1.4)**	(1.4)
Acquisition of intangible assets	11	**(7.5)**	(2.1)
Proceeds from sale of property & equipment		**1.2**	–
Net cash from investing activities		**(7.7)**	(3.5)
Cash flows from financing activities			
Proceeds from the issue of share capital		**9.9**	6.2
Consideration paid for own shares		**(3.6)**	(2.4)
Proceeds from exercise of options over shares held in trust		**–**	0.1
Additional borrowings		**30.0**	15.8
Repayment of borrowings		**(2.1)**	(2.5)
Dividends paid		**(31.6)**	(20.6)
Net cash from financing activities		**2.6**	(3.4)
Net increase in cash & cash equivalents		**287.4**	347.2
Cash & cash equivalents at 1 January		**2,042.0**	1,711.1
Effect of exchange rate fluctuations on cash held		**(0.1)**	(16.3)
Cash & cash equivalents at 31 December		**2,329.3**	2,042.0

Exchange rate fluctuations result from cash held in the unit-linked funds.

The notes and information on pages 84 to 124 form part of these accounts.

Notes to the Consolidated Accounts
under International Financial Reporting Standards

1. ACCOUNTING POLICIES

St. James's Place plc ('the Company') is a company incorporated and domiciled in England and Wales.

Statement of Compliance

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and those parts of the Companies Act 2006 that are applicable when reporting under IFRS.

The following revised and amended standards, which the Group has adopted as of 1 January 2011, have not had any material impact on the Group's reported results:

IAS 24 Revised – Related party disclosures
IAS 32 Amendment – Financial instruments: Presentation
Annual Improvements 2010

As at 31 December 2011, the following standards, which are relevant to the Group but have not been applied in the financial statements, were in issue but not yet effective:

IAS 1 Amendment – Financial statement presentation
IAS 12 Amendment – Income taxes
IFRS 7 Amendment – Financial instruments: Disclosures
IFRS 9 Financial instruments – Classification and measurement
IFRS 10 Consolidated financial statements
IFRS 12 Disclosures of interests in other entities
IFRS 13 Fair value measurement

The adoption of the above standards and interpretation is not expected to have any material impact on the Group's results reported within the financial statements other than requiring additional disclosure or alternative presentation.

The Group financial statements also comply with the revised Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006), in so far as these requirements do not contradict IFRS requirements.

Basis of Preparation

As discussed in the Directors' Report, the going concern basis has been adopted in preparing these accounts.

The financial statements are presented in pounds sterling, rounded to the nearest one hundred thousand pounds. They are prepared on a historical cost basis except for assets classified as investment property, investments and currency forwards, and liabilities classified as investment contracts, insurance contracts and third party holdings in unit trusts, which are held at fair value.

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

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

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

The financial statements are prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS and the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial information incorporates the assets, liabilities and the results of the Company and of its subsidiaries. Subsidiaries are those entities in which the Group directly or indirectly has the power to govern the financial and operating policies in order to gain benefits from its activities (including unit trusts in which the Group holds more than half of the units). The Group uses the acquisition method of accounting to account for business combinations. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

Intragroup balances, and any income and expenses or unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Product classification

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

(i) Insurance contracts

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

(ii) Investment contracts

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

(c) Long-term business

(i) Insurance premium revenue

For unit linked insurance contracts, premiums are recognised as revenue when the liabilities arising from them are recognised. All other premiums are accounted for when due for payment.

Investment contract premiums are not included in the statement of comprehensive income but are reported as deposits to investment contract liabilities in the balance sheet.

(ii) Revenue from investment contracts

Fees charged for services related to the management of investment contracts are recognised as revenue as the services are provided. Initial fees, including dealing margins from unit trusts, which exceed the level of recurring fees and relate to the future provision of services, are deferred. These are amortised over the anticipated period in which services will be provided.

(iii) Policy claims and benefits

For insurance contracts, death claims are accounted for on notification of death. Critical illness claims are accounted for when admitted. All other claims and surrenders are accounted for when payment is due.

For investment contracts, benefits paid are not included in the statement of comprehensive income but are instead deducted from investment contract liabilities. The movement in investment contract benefits within the statement of comprehensive income principally represents the investment return credited to policyholders.

(iv) Acquisition costs

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

1. ACCOUNTING POLICIES continued

For investment contracts, only directly attributable acquisition costs, which vary with and are related to securing new contracts and renewing existing contracts, are deferred to the extent that they are recoverable out of future revenue. These deferred acquisition costs, which represent the contractual right to benefit from providing investment management services, net of any impairment losses, are amortised on a straight-line basis over the expected lifetime of the Group's investment contracts. All other costs are recognised as expenses when incurred.

(v) Insurance contract liabilities

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

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

(vi) Investment contract liabilities

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

The decision by the Group to designate its unit linked liabilities as fair value through the profit and loss statement reflects the fact that the underlying investment portfolio is managed, and its performance evaluated, on a fair value basis.

(vii) Insurance and investment contract receivables and payables

Insurance and investment contract receivables and payables are initially recognised at fair value and subsequently at amortised cost, using the effective interest method, less impairment losses.

(d) Reinsurance

Reinsurance premiums are accounted for when due for payment and reinsurance recoveries are accounted for in the same period as the related claim.

Reinsurance assets, which are accounted for at amortised cost, represent amounts recoverable from reinsurers in respect of claims and in respect of insurance contract liabilities, net of any future reinsurance premiums payable and after allowance for any impairment losses.

(e) Fee and commission income

Fee and commission income primarily consists of management fees on investment contracts (see accounting policy note c (ii)) and commission due in respect of products sold on behalf of third parties. Commission is recognised in full on acceptance and inception of the policy by the product provider. Where the product provider retains the right to clawback of commission on an indemnity basis, turnover on sale of these products is recognised net of a provision for the estimated clawback.

(f) Investment return

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

(g) Expenses

(i) Commission

Commission expense is recognised in respect of manufactured insurance and investment business, together with third party products. Commission comprises initial commission (paid at policy outset within the "initial period"), renewal commission (payable on regular contributions) and trail commission (based on funds under management and payable on the policy anniversary). Initial and renewal commission are recognised in line with the associated premium income, but initial commission on insurance and investment contracts may be deferred as set out in accounting policy (c) (iv). Trail commission is recognised on an accruals basis.

Commission in respect of some insurance and investment business may be paid in advance on renewal premiums and accelerated by up to five years. The unearned element of this accelerated commission is recognised as an asset within other receivables. Should the contributions reduce or stop within the initial period, any unearned commission is clawed back.

(ii) Operating lease payments
Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and are spread over the life of the lease.

(h) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax payable by the Group in respect of policyholders and shareholders. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

(iii) Policyholder and shareholder tax
The total income tax charge is a separate adjustment within the statement of comprehensive income based on the movement in current and deferred income taxes in respect of income, gains and expenses. The total charge reflects tax incurred on behalf of policyholders as well as shareholders, and so it is useful to be able to identify these separately. Policyholder tax reflects the UK tax paid in the life business at the policyholder tax rate of 20%, together with other small amounts of with-holding tax incurred by the unit linked funds on behalf of policyholders. All other remaining tax is shareholder.

(i) Dividends

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid, and, for the final dividend, when approved by the Company's shareholders at the Annual General Meeting.

(j) Intangible assets

(i) Deferred acquisition costs
See accounting policy note c (iv).

(ii) Acquired value of in-force business
The acquired value of in-force business in respect of insurance business represents the present value of profits that are expected to emerge from insurance business acquired on business combinations. It is calculated at the time of acquisition using best estimate actuarial assumptions for interest, mortality, persistency and expenses, net of any impairment losses, and it is amortised as profits emerge over the anticipated lives of the related contracts in the portfolio. An intangible asset is also recognised in respect of acquired investment management contracts representing the fair value of contractual rights acquired under those contracts. The acquired value of in-force business is expressed as a gross figure in the balance sheet with the associated tax included within deferred tax liabilities. It is assessed for impairment at each reporting date and any movement is charged to the statement of comprehensive income.

1. ACCOUNTING POLICIES continued

(iii) Computer software

Computer software is recognised as an intangible asset during development and amortised on a straight-line basis over its useful life of four years, commencing when the software is operational. Computer software is stated at cost less amortisation and any recognised impairment loss. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

(iv) Customer list

Customer list is recognised as an intangible asset and represents the value of future commission income streams following the acquisition of financial services' businesses and is amortised over four years as the income stream is realised. Customer list is stated at cost less amortisation and any recognised impairment loss. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

(k) Property & equipment

Items of property & equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy note (p)). Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The deemed cost of owner occupied property is the fair value determined by an independent valuer at the date of transition to IFRS.

Depreciation is charged to the statement of comprehensive income to administration expenses on a straight-line basis over the estimated useful lives of the property & equipment as follows:

Computers:	3 years
Fixtures and fittings:	5 years
Office equipment:	5 years
Motor vehicles:	4 years
Buildings:	50 years

Land is not depreciated.

(l) Investment property

Investment properties, which are all held within the unit linked funds, are properties which are held to earn rental income and / or for capital appreciation. They are stated at fair value.

An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every month.

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

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income within investment income. Rental income from investment property is accounted for as described in accounting policy note (f).

(m) Investments

The Group's investments are all classified at fair value through profit or loss, with all gains and losses recognised within investment income in the statement of comprehensive income. The fair values of quoted financial investments, which represent the vast majority of the Group's investments, are based on current bid prices. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

The decision by the Group to designate its investments at fair value through the profit and loss reflects the fact that the investment portfolio is managed, and its performance evaluated, on a fair value basis.

The Group recognises purchases and sales of investments on trade date. The costs associated with investment transactions are included within administration expenses in the statement of comprehensive income.

(n) Currency forwards
The Group uses currency forwards within some unit linked funds to hedge exposure to foreign currency. Each contract is recognised initially and subsequently at fair value, based on quoted market prices, with all changes in value recognised within investment income in the statement of comprehensive income.

(o) Other receivables
Other receivables are initially recognised at fair value and subsequently held at amortised cost less impairment losses. The value of any impairment recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. See accounting policy note p (Impairment policy) for information relating to the treatment of impaired amounts.

(p) Impairment policy
Formal reviews to assess the recoverability of deferred acquisition costs on insurance and investment contracts, the acquired value of in-force business, customer list and loans are carried out at each balance sheet date. The recoverability of such assets is measured and the asset is deemed impaired if the projected future margins are less than the carrying value of the asset. The carrying amounts of the Group's other assets that are not carried at fair value are also reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated based on the present value of its estimated future cash flows.

Impairment losses are reversed - through the statement of comprehensive income - if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation where applicable, if no impairment loss had been recognised.

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

Cash & cash equivalents held within unit linked and unit trust funds are classified at fair value through the profit and loss. All other cash & cash equivalents are classified as loans and receivables.

(r) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured as the discounted expected future cash flows taking account of the risks and uncertainties associated with the specific liability where appropriate. The Group recognises provisions for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(s) Borrowings
Borrowings are measured initially at fair value, net of directly attributable transaction costs, and subsequently stated at amortised cost. The difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the borrowing period on an effective interest rate basis. Borrowings are recognised on drawdown and derecognised on repayment.

(t) Other payables
Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(u) Net asset value attributable to unit holders
The Group consolidates unit trusts in which it holds more than half of the units. The third party interests in these unit trusts are measured at fair value, since the underlying investment portfolios are managed on a fair value basis, and they are presented in the balance sheet as net asset value attributable to unit holders. Income attributable to the third party interests is accounted for within investment income, offset by a corresponding change in investment contract benefits.

1. ACCOUNTING POLICIES continued

(v) Employee benefits

(i) Pension obligations

The Group operates a defined contribution personal pension plan for its employees. Contributions to this plan are recognised as an expense in the statement of comprehensive income as incurred.

(ii) Share-based payments

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

At each balance sheet date, the Group revises its estimate of the number of equity instruments that are expected to vest and it recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, such that the amount recognised for employee services are based on the number of shares that actually vest. The charge to the statement of comprehensive income is not revised for any changes in market vesting conditions.

(w) Treasury shares

Where any Group company purchases the Company's share capital, the consideration paid is deducted from equity attributable to shareholders, as disclosed in the Treasury Shares reserve. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to shareholders, net of any directly attributable incremental transaction costs and the related income tax effects.

(x) Foreign currency translation

The Group's presentational and the company's functional currency is pounds sterling.

Foreign currency transactions are translated into sterling using the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gain or losses on translation are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities which are held at historical cost are translated using exchange rates prevailing at the date of transaction; those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Company.

(z) Current and non-current disclosure

Assets which are expected to be recovered or settled no more than twelve months after the balance sheet date are disclosed as current within the notes to the accounts. Those expected to be recovered or settled more than twelve months after the balance sheet date are disclosed as non-current.

Liabilities which are expected and due to be settled no more than twelve months after the balance sheet date are disclosed as current within the notes to the accounts. Those liabilities which are expected and due to be settled more than twelve months after the balance sheet date are disclosed as non-current.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Judgements

The primary area in which the Group has applied judgement in applying accounting policies lies in the classification of contracts between insurance and investment business. Contracts with a significant degree of insurance risk are treated as insurance. All other contracts are treated as investment contracts. The Group has also elected to treat all assets backing linked and non unit linked contracts as fair value through profit or loss although some of the assets in question may ultimately be held to maturity.

Estimates

The principal areas in which the Group applies accounting estimates are:

- Determining the value of insurance contract liabilities.
- Deciding the amount of management expenses that are treated as acquisition expenses.
- Amortisation and recoverability of deferred acquisition costs and deferred income.
- Determining the fair value, amortisation and recoverability of acquired in-force business.
- Determining the fair value liability to policyholders for capital losses in unit funds.

Estimates are also applied in determining the amount of deferred tax asset recognised on unrelieved expenses and the value of other provisions.

Measurement of insurance contract liabilities

The assumptions used in the calculation of insurance contract liabilities that have a significant effect on the statement of comprehensive income of the Group are:

- The lapse assumption, which is set prudently based on an investigation of experience during the year.
- The level of expenses, which is based on actual expenses in 2011 and expected long-term rates.
- The mortality and morbidity rates, which are based on the results of an investigation of experience during the year.
- The assumed rate of investment return, which is based on current gilt rates.

Greater detail on the assumptions applied is shown in Note 19.

Acquisition expenses

Certain management expenses vary with the level of sales and have been treated as acquisition costs. Each line of costs has been reviewed and its variability to sales volumes estimated on the basis of the level of costs that would be incurred if sales ceased.

Amortisation and recoverability of Deferred Acquisition Costs (DAC) and Deferred Income (DIR)

Deferred acquisition costs and income on investment contracts are amortised on a straight-line basis over the expected lifetime of the underlying contracts. The expected lifetime of the contracts has been estimated from the experienced termination rates and the age of clients at inception and maturity.

Deferred acquisition costs and income on insurance contracts are amortised over the period during which the costs are expected to be recoverable in accordance with the projected emergence of future margins.

Deferred acquisition costs relating to insurance and investment contracts are tested annually for recoverability by reference to expected future income levels.

Acquired in-force business

There have been no new business combinations during the year. The acquired value of the in-force business is amortised on a basis that reflects the expected profit stream arising from the business acquired at the date of acquisition. This profit stream is estimated from the experienced termination rates, expenses of management and age of the clients under the individual contracts as well as global estimates of investment growth, based on recent experience at the date of acquisition.

The acquired value of in-force business relating to insurance and investment contracts is tested annually for recoverability by reference to expected future income levels.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

Valuing capital losses in unit funds

In line with IAS 12 the Group has recognised a deferred tax asset in relation to capital losses at the balance sheet date. This asset has been tested for impairment against the level of capital gains realistically expected to arise in future.

Much of the benefit of the deferred tax asset on capital losses will be shared with policyholders. The policyholder investment contract liability has therefore been increased to reflect the fair value of this additional benefit. The assumptions that have a significant effect on the fair value of the liability are as follows:
– The assumed rate of investment return, which is based on current gilt rates.
– The lapse assumption, which is set prudently based on experience during the year.
– The assumed period for development of capital gains, which is estimated from recent experience.

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 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. Distribution business – the distribution network for the St. James's Place life and unit trust products as well as financial products such as annuities, mortgages and stakeholder pensions, from third party providers.

The figures for segment income provided to the chief operating decision maker in respect of the distribution business relate to the distribution of the products of third party providers only. The figures for segment profit provided to the chief operating decision maker take account of fees and commissions payable by the life business and unit trust business to the distribution business.

4. Other – all other group activities.

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.

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.

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life business	447.1	405.9
Unit Trust business	136.9	124.6
Distribution business	58.3	51.3
Other business	–	–
Total APE	642.3	581.8
Restatement to reconcile to IFRS basis		
Life business		
Exclude investment business APE	(443.0)	(400.7)
Difference between insurance business APE and premium receivable	69.4	73.3
Less insurance premium income ceded to reinsurers	(29.7)	(28.5)
Fee income (management fees)	394.0	353.0
Net movement on deferred income	(30.6)	(33.2)
Investment income (primarily in unit linked funds)	(992.0)	2,428.9
Unit Trust business		
Exclude unit trust APE	(136.9)	(124.6)
Fee income (dealing profit and management fees)	151.7	128.3
Net movement on deferred income	(36.7)	(35.3)
Investment income	0.5	0.3
Distribution business		
Exclude distribution APE	(58.3)	(51.3)
Fee and commission income receivable	43.5	38.8
Other investment income	0.3	–
Other business		
Income receivable	2.9	3.4
Investment income on third party holdings in consolidated unit trusts	(128.8)	195.8
Other investment income	2.9	1.7
Other operating income	1.6	1.4
Total adjustments	(1,189.2)	2,551.3
Net income - IFRS	(546.9)	3,133.1

All segment income is generated by external customers and there are no segment income transactions between operating segments as measured by APE.

3. SEGMENT REPORTING continued

Segment Profit

Three separate measures of profit are monitored on a monthly basis by the chief operating decision maker. These are European Embedded Value ("EEV"), IFRS (both pre-tax) and the post-tax cash result.

EEV Operating Profit

EEV operating profit 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 Supplementary Information on EEV basis within the Annual Report and Accounts on pages 134 to 143.
A reconciliation of EEV operating profit to IFRS profit before tax is shown below.

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life business	294.2	256.8
Unit Trust business	84.5	81.7
Distribution business	6.1	5.8
Other business	(13.3)	(11.7)
EEV operating profit	371.5	332.6
Investment return variance	(180.4)	117.6
Economic assumption changes	(0.3)	4.8
EEV profit before tax	190.8	455.0
Adjustments to IFRS basis		
Movement in life value of in-force	(155.0)	(197.0)
Movement in unit trust value of in-force	(14.5)	(96.1)
IFRS profit before tax	21.3	161.9

Cash result	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life business	34.3	27.5
Unit Trust business	28.3	18.3
Distribution business	5.4	4.9
Other business	(1.0)	(2.4)
Cash result after tax	67.0	48.3
IFRS adjustments (after tax)		
Share option expense	(10.5)	(8.2)
Deferred acquisition costs (DAC)	82.4	83.6
Deferred income (DIR)	(54.1)	(54.6)
Acquired value of in-force (PVIF)	(2.9)	(2.9)
Sterling reserves	2.6	(6.5)
IFRS tax adjustments	22.3	(4.7)
IFRS shareholder profit after tax	106.8	55.0
Shareholder tax	2.9	29.2
IFRS profit before shareholder tax	109.7	84.2
Policyholder tax	(88.4)	77.7
IFRS profit before tax	21.3	161.9

IFRS segment result	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life business		
– shareholder	**89.1**	72.8
– policyholder tax gross up	**(88.4)**	77.7
Unit Trust business	**27.8**	17.3
Distribution business	**6.1**	5.8
Other business	**(13.3)**	(11.7)
IFRS profit before tax	**21.3**	**161.9**

Included within the EEV, IFRS profit before tax and post-tax cash result are the following:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£'Million	£'Million
Shareholder interest income	**4.6**	3.0
Depreciation	**2.6**	3.6

Segment Assets

Funds under Management ("FUM")

FUM within the St. James's Place Group, rounded to the nearest £0.1 billion, are monitored on a monthly basis by the chief operating decision maker.

	31 December 2011	31 December 2010
	£' Million	£' Million
Life business	**22,500.0**	21,500.0
Unit Trust business	**6,000.0**	5,500.0
Total FUM	**28,500.0**	27,000.0
Exclude third party holdings in non-consolidated unit trusts	**(3,360.5)**	(3,584.8)
Add balance sheet liabilities in unit linked funds	**267.9**	268.3
Adjustments for other balance sheet assets excluded from FUM		
DAC	**865.1**	755.7
PVIF	**46.4**	50.2
Computer software	**8.4**	2.1
Goodwill	**0.9**	–
Property & equipment	**5.4**	7.7
Deferred tax assets	**248.5**	158.2
Fixed income securities	**80.0**	60.7
Collective investment schemes	**208.6**	240.2
Reinsurance assets	**39.0**	38.6
Insurance and investment contract receivables	**44.5**	14.2
Income tax assets	**41.3**	37.0
Other receivables	**236.3**	236.1
Cash & cash equivalents	**46.5**	84.8
Other adjustments	**(36.0)**	18.4
Total adjustments	**(1,257.7)**	(1,612.6)
Total assets	**27,242.3**	25,387.4

4. FEE AND COMMISSION INCOME

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Unit Trust management fees	95.3	77.0
Unit Trust dealing profit	56.4	51.3
Third party commission income	46.5	42.2
Life company management fees	394.0	353.0
Amortisation of deferred income	(67.3)	(68.5)
Total fee and commission income	524.9	455.0

5. INVESTMENT RETURN

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Dividend income	430.6	383.3
Interest income	203.9	151.8
Rental income	31.5	28.9
Net realised (losses) / gains	(315.6)	1,002.5
Net unrealised (losses) / gains	(1,338.7)	864.4
Income attributable to third party holdings in unit trusts	(128.8)	195.8
Total investment return	(1,117.1)	2,626.7

6. EXPENSES

The following items are included within the expenses disclosed in the statement of comprehensive income:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Employee costs (see Note 7)	59.5	57.3
Depreciation	2.6	3.6
Impairment losses	0.1	0.5
Amortisation of acquired value of in-force business	3.8	3.9
Amortisation of DAC	86.2	74.5
Amortisation of computer software	0.3	–
Payment under operating leases	9.1	9.1
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	0.1	0.1
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	0.2	0.2
– Other services pursuant to legislation	0.1	0.1
– Tax services	0.1	0.1

Impairment losses are included within administration expenses within the statement of comprehensive income.

7. EMPLOYEE COSTS

	Year Ended 31 December 2011 £' Million	Year Ended 31 December 2010 £' Million
Wages and salaries	**41.7**	42.5
Social security costs	**4.8**	4.9
Pension costs in relation to defined contribution schemes	**3.9**	3.5
Cost of share awards and options	**9.1**	6.4
Total employee costs	**59.5**	57.3
Average number of persons employed by the Group during the year	**746**	705

The above information includes Directors' remuneration. Details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Remuneration Report on pages 69 to 77.

8. INCOME TAXES

	Year Ended 31 December 2011 £' Million	Year Ended 31 December 2010 £' Million
Policyholder tax		
Overseas withholding taxes	**12.9**	13.5
Deferred tax on unrelieved expenses		
– Current year credit	**(19.4)**	(8.6)
Deferred tax on unrealised gains and losses in unit linked funds	**(77.8)**	57.5
UK corporation tax		
– Current year charge	**4.4**	13.9
– Adjustment in respect of prior year	**(8.5)**	1.4
Total policyholder tax (credit) / charge for the year	**(88.4)**	77.7
Shareholder tax		
UK corporation tax		
– Current year charge	**–**	12.0
– Prior year charge	**(0.2)**	(0.7)
Overseas taxes		
– Current year charge	**1.5**	1.5
– Prior year charge	**0.1**	–
	1.4	12.8
Deferred tax on pension business losses		
– Current year charge	**2.9**	5.5
– Adjustment in respect of prior year	**(0.4)**	0.6
Deferred tax charge on other items		
– Current year charge	**6.0**	14.6
Change in tax rate		
– Current year	**(7.2)**	(4.3)
– Adjustment in respect of prior year	**0.2**	–
Total shareholder tax charge for the year	**2.9**	29.2

8. INCOME TAXES continued

Where deferred tax balances represent future adjustments at the policyholder rate, these are recognised as policyholder items.

The deferred tax components to which the policyholder and shareholder deferred tax movements above relate to are disclosed in Note 13 Deferred Tax Assets and Note 24 Deferred Tax Liabilities.

Included within the shareholder deferred tax current year charge is a credit of £0.9 million (2010: £1.4 million credit) relating to share based payments charged directly to equity, as disclosed in Note 30 Share-based Payments.

The change in the corporation tax rate from 27% to 25% effective from 1 April 2012 enacted in the Finance Act 2011 has been incorporated into the deferred tax balances and is quantified in the reconciliation of the tax charge below and on page 99.

In addition to the changes in rates of corporation tax disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. Further reductions to the main rate are proposed to reduce the main rate of corporation tax by 1% per year to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date, and therefore, are not included in these financial statements.

	Year Ended 31 December 2011 £' Million	Year Ended 31 December 2010 £' Million
Reconciliation of tax charge		
Profit before tax	**21.3**	161.9
Tax at 26.5% (2010: 28%)	**5.6**	45.3
Effects of:		
Deferred tax on unrelieved expenses current year	**(19.4)**	(4.5)
Overseas withholding tax in unit linked funds	**10.5**	6.7
Deferred tax in respect of unit linked funds	**(55.1)**	44.2
Shareholder deduction for policyholder tax	**3.2**	10.0
Dividends not subject to tax under life company rules	**(17.3)**	–
Policyholder tax rate differential	**3.2**	9.3
Prior year items	**(7.7)**	2.1
Change in tax rate	**(7.0)**	(3.3)
Other adjustments	**(1.5)**	(2.9)
Total tax (credit) / charge for the year	**(85.5)**	106.9

The policyholder tax rate differential relates to the effect of the difference between the shareholder tax rate of 26.5% (2010: 28%) and the policyholder tax rate of 20%.

Reconciliation of tax charge	Year Ended 31 December 2011		Year Ended 31 December 2010	
	£'Million		£'Million	
Profit before tax	**21.3**		161.9	
Tax attributable to policyholders' returns*	**88.4**		(77.7)	
Profit before tax attributable to shareholders' returns	**109.7**		84.2	
Shareholder tax charge at corporate tax rate of 26.5% (2010: 28.0%)	**29.1**	26.5%	23.6	28.0%
Adjustments:				
Tax regime differences				
Difference due to Life Insurance tax regime (deferral of E)	**(5.1)**		(2.4)	
Difference due to Life Insurance tax regime (Deferred Income Reserve)	**3.2**		3.9	
Difference due to overseas subsidiaries	**(2.7)**		(0.3)	
	(4.6)	(4.2%)	1.2	1.4%
Market related				
Difference due to Life Insurance tax regime (UCG)	**2.1**		2.7	
Difference due to Life Insurance tax regime (Shareholder FII)	**(17.3)**		(1.7)	
	(15.2)	(13.9%)	1.0	1.2%
Other				
Difference due to Life Insurance tax regime (Pension losses)	**–**		5.5	
Prior year adjustments	**(1.3)**		–	
Other	**1.9**		1.3	
	0.6	0.5%	6.8	8.1%
Change in tax rate	**(7.0)**	(6.4%)	(3.4)	(4.0%)
Shareholder tax charge	**2.9**	2.6%	29.2	34.7%
Policyholder tax (credit) / charge	**(88.4)**		77.7	
Total tax (credit) / charge for the period	**(85.5)**		106.9	

* Profit before tax attributable to policyholder returns is equal to the policyholder tax charge.

9. EARNINGS PER SHARE

	Year Ended 31 December 2011	Year Ended 31 December 2010
	Pence	Pence
Basic earnings per share	21.9	11.4
Diluted earnings per share	21.2	11.2

The earnings per share (EPS) calculations are based on the following figures:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Earnings		
Profit after tax (for both basic and diluted EPS)	106.8	55.0
Adjustments	–	–
Adjusted profit (for both basic and diluted EPS)	106.8	55.0
Weighted average number of shares		
Weighted average number of ordinary shares in issue (for basic EPS)	487.6	481.5
Adjustments for outstanding share options	16.1	8.9
Weighted average number of ordinary shares (for diluted EPS)	503.7	490.4

10. DIVIDENDS

The following dividends have been paid by the Group:

	Year Ended 31 December 2011	Year Ended 31 December 2010	Year Ended 31 December 2011	Year Ended 31 December 2010
	Pence per Share	Pence per Share	£' Million	£' Million
Final dividend in respect of previous financial year	3.975	2.660	19.4	12.8
Interim dividend in respect of current financial year	3.200	2.025	15.7	9.8
Total dividends	**7.175**	**4.685**	**35.1**	**22.6**

The Directors have recommended a final dividend of 4.8 pence per share (2010: 3.975 pence). This amounts to £23.7 million (2010: £19.4 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 16 May 2012 to those shareholders on the register as at 30 March 2012.

11. INTANGIBLE ASSETS

	Life business - insurance DAC	Life business - investment DAC	Unit Trust business - investment DAC	Total DAC	Acquired value of in-force business	Computer software	Customer list	Total
	£' Million	£' Million	£'Million	£' Million	£' Million	£' Million	£' Million	£' Million
Cost								
At 1 January 2010	93.5	672.4	164.4	930.3	73.4	–	–	1,003.7
Additions	5.7	142.1	40.0	187.8	–	2.1	–	189.9
At 31 December 2010	99.2	814.5	204.4	1,118.1	73.4	2.1	–	1,193.6
At 1 January 2011	**99.2**	**814.5**	**204.4**	**1,118.1**	**73.4**	**2.1**	**–**	**1,193.6**
Additions	**4.4**	**150.3**	**40.9**	**195.6**	**–**	**6.6**	**0.9**	**203.1**
At 31 December 2011	**103.6**	**964.8**	**245.3**	**1,313.7**	**73.4**	**8.7**	**0.9**	**1,396.7**
Accumulated amortisation								
At 1 January 2010	71.4	177.4	39.1	287.9	19.3	–	–	307.2
Charge for the year	8.1	53.6	12.8	74.5	3.9	–	–	78.4
At 31 December 2010	79.5	231.0	51.9	362.4	23.2	–	–	385.6
At 1 January 2011	79.5	231.0	51.9	362.4	23.2	–	–	385.6
Charge for the year	6.7	63.8	15.7	86.2	3.8	0.3	–	90.3
At 31 December 2011	**86.2**	**294.8**	**67.6**	**448.6**	**27.0**	**0.3**	**–**	**475.9**
Carrying value								
At 1 January 2010	22.1	495.0	125.3	642.4	54.1	–	–	696.5
At 31 December 2010	19.7	583.5	152.5	755.7	50.2	2.1	–	808.0
At 31 December 2011	**17.4**	**670.0**	**177.7**	**865.1**	**46.4**	**8.4**	**0.9**	**920.8**
Current								**78.7**
Non-current								**842.1**
								920.8
Outstanding amortisation period								
At 31 December 2010	6 years	14 years	14 years		15 years	4 years	–	
At 31 December 2011	**6 years**	**14 years**	**14 years**		**14 years**	**4 years**	**4 years**	

Amortisation of deferred acquisition costs is charged within the fees, commission and other acquisition costs line in the statement of comprehensive income. The amortisation of the acquired value of in-force business is charged within other operating expenses. Amortisation profiles are reassessed annually.

12. PROPERTY & EQUIPMENT

	Fixtures, Fittings, Computers & Office Equipment	Motor Vehicles	Land & Buildings	Total
	£' Million	£' Million	£' Million	£' Million
Cost				
At 1 January 2010	29.9	0.1	2.6	32.6
Additions	1.3	–	0.1	1.4
Disposals	–	(0.1)	–	(0.1)
Impairment losses	–	–	(0.5)	(0.5)
At 31 December 2010	31.2	–	2.2	33.4
At 1 January 2011	**31.2**	**–**	**2.2**	**33.4**
Additions	**1.2**	**–**	**0.2**	**1.4**
Disposals	**(0.1)**	**–**	**(0.9)**	**(1.0)**
Impairment losses	**–**	**–**	**(0.1)**	**(0.1)**
At 31 December 2011	**32.3**	**–**	**1.4**	**33.7**
Accumulated depreciation				
At 1 January 2010	22.1	0.1	–	22.2
Charge for the year	3.6	–	–	3.6
Disposals	–	(0.1)	–	(0.1)
At 31 December 2010	25.7	–	–	25.7
At 1 January 2011	**25.7**	**–**	**–**	**25.7**
Charge for the year	**2.6**	**–**	**–**	**2.6**
Disposals	**–**	**–**	**–**	**–**
At 31 December 2011	**28.3**	**–**	**–**	**28.3**
Net book value				
At 1 January 2010	7.8	–	2.6	10.4
At 31 December 2010	5.5	–	2.2	7.7
At 31 December 2011	**4.0**	**–**	**1.4**	**5.4**
Current				**1.3**
Non-current				**4.1**
				5.4

13. DEFERRED TAX ASSETS

	31 December 2011	31 December 2010
	£' Million	£' Million
Life business – unrelieved expenses	**83.8**	64.3
Life business – net capital losses in unit linked funds	**62.2**	–
Life business – pension business	**4.7**	1.4
Life business – deferred income	**37.2**	37.2
Unit Trust business – deferred income	**53.1**	47.4
Other	**7.5**	7.9
Total deferred tax assets	**248.5**	158.2
Current	**112.4**	23.4
Non-current	**136.1**	134.8
	248.5	158.2

The utilisation of the deferred tax asset on net capital losses and unrelieved expenses depends on growth in the stock market and the consequential positive 'I–E' result in future years. Tax assets established in relation to deferred income will be utilised as the underlying income is recognised. Other assets depend on the future profitability of the business. The anticipated changes to the taxation rules for life assurance companies from 1 January 2013 are not expected to impact the assessment of the deferred tax assets.

14. INVESTMENT PROPERTY

	31 December 2011	31 December 2010
	£' Million	£' Million
Balance at 1 January	**397.8**	401.7
Additions	**175.4**	5.8
Disposals	**(10.4)**	(33.5)
Changes in fair value	**(11.9)**	23.8
Balance at 31 December	**550.9**	397.8

Investment property is held within unit linked funds and is considered current.

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

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Rental income	**31.5**	28.9
Direct operating expenses	**3.2**	2.2

At the year end contractual obligations to purchase, construct or develop investment property amounted to £5.9 million (2010: £0.4 million).

15. 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.

	31 December 2011	31 December 2010
	£' Million	£' Million
Assets		
Investment property	**550.9**	397.8
Investments		
– Equities	**15,743.4**	15,835.7
– Fixed income securities	**3,678.1**	2,878.4
– Investment in Collective Investment Schemes	**2,794.1**	2,318.3
– Currency forwards	**13.6**	3.5
– Contracts for differences	**14.6**	–
Other receivables	**293.9**	311.0
Cash & cash equivalents	**2,282.8**	1,957.2
Total assets	**25,371.4**	23,701.9
Liabilities		
Financial liabilities		
– Currency forwards	**23.3**	20.4
– Contracts for differences	**20.1**	–
Other payables	**224.5**	247.9
Total liabilities	**267.9**	268.3
Net assets held to cover linked liabilities and third party holdings in unit trusts	**25,103.5**	23,433.6

Net assets held to cover linked liabilities and third party holdings in unit trusts are considered to have a maturity of up to one year since the corresponding unit liabilities are repayable and transferable on demand.

16. OTHER RECEIVABLES

	31 December 2011	31 December 2010
	£' Million	£' Million
St. James's Place Partnership loans	**79.5**	71.6
Prepayments	**14.6**	24.7
Unearned commission	**22.3**	23.8
Unit linked funds and UTMI (including outstanding security sales)	**293.9**	311.0
Unit Trust dealing receivables	**78.7**	93.3
Miscellaneous	**41.2**	22.7
Total other receivables	**530.2**	547.1
Current	**453.3**	474.9
Non-current	**76.9**	72.2
	530.2	547.1

The fair value of loans and receivables included in other receivables is not materially different from amortised cost. St. James's Place Partnership loans are interest bearing (linked to Bank of England base rate plus a margin), repayable on demand and secured against the future renewal income streams of that Partner.

17. CASH & CASH EQUIVALENTS

	31 December 2011 £' Million	31 December 2010 £' Million
Cash at bank	**114.5**	154.1
Bank overdrafts	**(68.0)**	(69.3)
Cash & cash equivalents held outside unit linked and unit trust funds	**46.5**	84.8
Balances held within unit linked and unit trust funds	**2,282.8**	1,957.2
Total cash & cash equivalents	**2,329.3**	2,042.0

All cash & cash equivalents are considered current.

18. INSURANCE RISK

The Group assumes insurance risk through the issuance of insurance contracts under which the Group agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) affecting the policyholder occurs. The Group insures mortality and morbidity risks.

Insurance risk appetite and risk management strategies, together with the terms and conditions of the insurance contracts offered by the Group are discussed in the Risk and Risk Management section, on page 35.

19. INSURANCE CONTRACT LIABILITIES

	2011 £' Million	2010 £' Million
Balance at 1 January	**417.9**	388.1
Movement in unit linked liabilities	**(36.5)**	22.5
Movement in non-unit linked liabilities		
– New business	**0.5**	1.1
– Existing business	**(0.3)**	0.4
– Other assumption changes	**9.1**	8.2
– Experience variance	**3.3**	(2.4)
Total movement in non-unit linked liabilities	**12.6**	7.3
Balance at 31 December	**394.0**	417.9
Unit linked	**307.8**	344.3
Non-unit linked	**86.2**	73.6
	394.0	417.9
Current	**82.9**	71.3
Non-current	**311.1**	346.6
	394.0	417.9

Unit linked liabilities move as a function of net cash flows into policyholder funds and underlying investment performance of those funds.

19. INSURANCE CONTRACT LIABILITIES continued

Assumptions used in the calculation of liabilities

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

Assumption	Description
Interest rate	The valuation interest rate is calculated by reference to the long-term gilt yield at 31 December 2011 and the specific gilts backing the liabilities. The specific rates used are between 1.5% and 2.6% depending on the tax regime (2.7% and 3.9% at 31 December 2010).
Mortality	Mortality is based on Company experience and is set at 72% of the TM/F92 tables with an additional loading for smokers. There has been no change since 2006.
Morbidity - Critical Illness	Morbidity is based on Company experience. There has been no change during 2011. Sample annual rates per £ for a male non-smoker are:

Age	Rate 2011	Rate 2010
25	0.000760	0.000760
35	0.001334	0.001334
45	0.003189	0.003189

Assumption	Description
Morbidity - Permanent Health Insurance	Morbidity is based on Company experience. There has been no change during 2011. Sample annual rates per £ income benefit p.a. for a male non-smoker are:

Age	Rate 2011	Rate 2010
25	0.00548	0.00548
35	0.01447	0.01447
45	0.03138	0.03138

Assumption	Description
Expenses	Contract liabilities are calculated allowing for the actual costs of administration of the business. The assumption has been amended to allow for changes to the underlying administration costs.

Product	Annual Cost 2011	Annual Cost 2010
Protection business	£34.50	£35.43

Assumption	Description
Persistency	Allowance is made for a prudent level of lapses within the calculation of the liabilities. The rates have not changed in 2011. Sample annual lapse rates are:

2010 & 2011	Lapses Year 1	Lapses Year 5	Lapses Year 10
Protection business	7%	9%	8%

Sensitivity analysis

The table below sets out the sensitivity of the profit on insurance business and net assets to changes in key assumptions. The levels of sensitivity tested are consistent with those proposed in the EEV principles and reflect reasonably possible levels of change in the assumptions. The analysis reflects the change in the variable / assumption shown while all other variables / assumptions are left unchanged. In practice variables / assumptions may change at the same time as some may be correlated (for example, an increase in interest rates may also result in an increase in expenses if the increase reflects higher inflation). It should also be noted that in some instances sensitivities are non-linear. The sensitivity % has been applied to proportion the assumption e.g. application of a 10% sensitivity to a withdrawal assumption of 8% will reduce it to 7.2%.

	Change in assumption	**Change in profit before tax 2011**	Change in profit before tax 2010	**Change in net assets 2011**	Change in net assets 2010
	%	**£' Million**	£' Million	**£' Million**	£' Million
Sensitivity analysis					
Withdrawal rates	–10%	**(5.1)**	(4.5)	**(4.1)**	(3.5)
Expense assumptions	–10%	**1.4**	1.7	**1.2**	1.4
Mortality / morbidity	–5%	**0.9**	0.7	**0.8**	0.5

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

20. REINSURANCE ASSETS

	31 December 2011	31 December 2010
	£' Million	£' Million
Reinsurers' share of insurance contract liabilities		
– Long-term insurance contract liability	**35.8**	33.7
– Claims outstanding	**3.2**	4.9
Reinsurance assets	**39.0**	38.6
Current	**10.5**	10.1
Non-current	**28.5**	28.5
	39.0	38.6

A reconciliation of the movement in the net reinsurance balance is set out below:

	2011	2010
	£' Million	£' Million
Reinsurance assets at 1 January	**38.6**	36.8
Reassurance component of net change in claims provision	**(1.7)**	0.1
Reassurance component of change in insurance liabilities	**2.1**	1.7
Reinsurance assets at 31 December	**39.0**	38.6

The overall impact of reassurance on the profit for the year was a net charge of £6.2 million (2010: charge of £5.9 million).

21. OTHER PROVISIONS

	Endowments	Office Restructuring	Other Provisions	Total
	£' Million	£' Million	£' Million	£' Million
At 1 January 2011	**0.3**	**2.9**	**0.4**	**3.6**
Utilised/released during the year	**(0.1)**	**(0.1)**	**(0.4)**	**(0.6)**
Additional provisions	**0.1**	**–**	**–**	**0.1**
At 31 December 2011	**0.3**	**2.8**	**–**	**3.1**
Current	**–**	**0.9**	**–**	**0.9**
Non-current	**0.3**	**1.9**	**–**	**2.2**
	0.3	**2.8**	**–**	**3.1**

The endowments provision relates to the cost of redress for mortgage endowment complaints. The provision is based on estimates of the total number of complaints expected to be upheld, the average cost of redress and the estimated timing of settlement.

The office restructuring provision represents the expected amounts payable under a number of non-cancellable operating leases for office space that the Group no longer occupies. The provision is based on estimates of the rental payable until the approximate dates on which the Group expects either to have sublet the affected space or to have reached break clauses within the relevant lease agreements and after making appropriate allowance for the time value of money.

22. INVESTMENT CONTRACT BENEFITS

	2011	2010
	£' Million	£' Million
Balance at 1 January	**21,191.9**	16,994.4
Deposits	**3,835.6**	3,553.7
Withdrawals	**(1,464.3)**	(1,270.1)
Investment contract benefits (principally representing investment expense/income)	**(1,070.7)**	2,462.7
Less: investment contract benefits attributable to fund deductions	**(394.0)**	(353.0)
Add / (less): investment contract benefits attributable to third party holdings in unit trusts	**128.8**	(195.8)
Balance at 31 December	**22,227.3**	21,191.9
Current	**1,667.1**	1,568.2
Non-current	**20,560.2**	19,623.7
	22,227.3	21,191.9

23. BORROWINGS

	31 December 2011	31 December 2010
	£' Million	£' Million
Bank loan	**43.8**	15.9
Current	**4.8**	–
Non-current	**39.0**	15.9
	43.8	15.9

The bank loans include £30.0 million (2010: £15.0 million) from Barclays Bank plc drawn under a three year £30.0 million revolving credit facility and £13.0 million (2010: £nil) from Royal Bank of Scotland drawn under a three year £15.0 million revolving credit facility, both of which are used to finance loans from the Group to members of the St. James's Place Partnership. The Partners' loans are secured against the future renewal income streams of that Partner.

Bank loans also includes £750,000 (2010: £750,000) from Bank of Scotland which is secured on property disclosed in Note 12 to the accounts.

The Company also guarantees £87.7 million (2010: £84.9 million) of direct loans from Bank of Scotland to members of the St. James's Place Partnership drawn under a total facility of £100.0 million. In the event of default of any individual Partner loan the Company guarantees to repay the outstanding balance of that loan. These Partners' loans are secured against the future renewal income streams of that Partner. As the Company's guarantee is contingent these loans are not shown as a financial liability under borrowing.

The fair value of the outstanding bank loans are not materially different from amortised cost.

24. DEFERRED TAX LIABILITIES

	31 December 2011	31 December 2010
	£' Million	£' Million
On deferred acquisition costs	206.1	192.6
On acquired value of in-force business	11.6	13.5
In respect of unit linked funds	–	15.6
Other	1.2	2.6
Total deferred tax liabilities	218.9	224.3
Current	23.9	39.2
Non-current	195.0	185.1
	218.9	224.3

In 2010, a deferred tax liability was recognised on capital gains on eligible investments within the unit linked funds of £15.6 million. In the current year, there is no equivalent deferred tax liability.

25. DEFERRED INCOME

	31 December 2011	31 December 2010
	£' Million	£' Million
Life business	324.7	294.1
Unit Trust business	212.2	175.5
Total deferred income	536.9	469.6
Current	111.1	96.7
Non-current	425.8	372.9
	536.9	469.6

26. OTHER PAYABLES

	31 December 2011	31 December 2010
	£' Million	£' Million
Accruals	31.2	49.8
Unit Trust dealing payable	91.3	107.3
Unit linked funds and UTMI (including outstanding security purchases)	224.5	247.9
Miscellaneous	29.4	28.6
Total other payables	376.4	433.6

All other payable balances are considered current.

The fair value of financial liabilities in other payables is not materially different from amortised cost.

27. FINANCIAL RISK

Risk management objectives and risk policies

The Group seeks to manage risk through the operation of unit linked business whereby the policyholder bears the financial risk. In addition, shareholder assets are invested in highly rated investments.

Under IFRS 7, the Group is required to analyse their exposure to the following risks:

– Credit risk
– Liquidity risk
– Market risk
– Currency risk

These risks and the Group's strategies for managing them are described in the Risk and Risk Management section, beginning on page 28.

Categories of financial assets and financial liabilities

The categories and carrying values of the financial assets and financial liabilities held in the Group's balance sheet are summarised in the table below:

	31 December 2011				31 December 2010			
	Financial assets at fair value through profit and loss[1]	Loans and receivables	Financial liabilities at fair value through profit and loss[1]	Financial liabilities measured at amortised cost	Financial assets at fair value through profit and loss[1]	Loans and receivables	Financial liabilities at fair value through profit and loss[1]	Financial liabilities measured at amortised cost
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Financial Assets								
Equities	**15,743.4**				15,835.7			
Fixed income securities	**3,758.1**				2,939.1			
Investment in Collective Investment Schemes	**3,002.7**				2,558.5			
Derivative financial instruments	**28.2**				3.5			
Other receivables[2]								
– St. James's Place Partnership loans		**79.5**				71.6		
– Other		**413.8**				427.0		
Total other receivables		**493.3**				498.6		
Cash & cash equivalents	**2,282.8**	**114.5**			1,957.2	154.1		
Total financial assets	**24,815.2**	**607.8**			23,294.0	652.7		
Financial Liabilities								
Investment contract benefits			**22,227.3**				21,191.9	
Borrowings				**111.8**				85.2
Derivative financial instruments			**43.4**				20.4	
Other payables				**376.5**				433.6
Net asset value attributable to unit holders			**2,677.9**				1,944.9	
Total financial liabilities			**24,948.6**	**488.3**			23,157.2	518.8

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.
(2) Other financial assets exclude prepayments and unearned commission from other receivables.

The carrying value of the unit linked investment contract liabilities may differ from the amount contractually required to pay at maturity. Maturity values of the financial liabilities vary with future policyholder investment and withdrawals as well as investment return, coupled with the impact of capital losses in the funds. The contractual value required to be paid to policyholders as at 31 December 2011 would be £103.3 million lower than the investment contract benefits stated above.

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

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

	Year Ended 31 December 2011				Year Ended 31 December 2010			
	Financial assets at fair value through profit and loss (1)	**Loans and receivables**	**Financial liabilities at fair value through profit and loss(1)**	**Financial liabilities measured at amortised cost**	Financial assets at fair value through profit and loss(1)	Loans and receivables	Financial liabilities at fair value through profit and loss(1)	Financial liabilities measured at amortised cost
	£' Million	**£' Million**	**£' Million**	**£' Million**	£' Million	£' Million	£' Million	£' Million
Financial Assets								
Unit linked assets	**(1,136.5)**				2,618.3			
Fixed income securities	**13.5**				4.6			
Investment in Collective Investment Schemes	**2.8**				1.7			
Other receivables								
– St. James's Place Partnership loans		**2.2**				3.5		
Total other receivables		**2.2**				3.5		
Cash & cash equivalents(2)		**0.8**				0.6		
Total financial assets	**(1,120.2)**	**3.0**			2,624.6	4.1		
Financial Liabilities (3)								
Investment contract benefits			**(1,335.9)**				1,913.9	
Borrowings				**–**				–
Net asset value attributable to unit holders			**(128.8)**				195.8	
Total financial liabilities			**(1,464.7)**				2,109.7	

(1) All financial assets and liabilities at fair value through profit or loss are designated as such upon initial recognition.
(2) The majority of the return from cash & cash equivalents is included within unit linked assets.
(3) None of the change in the fair value of financial liabilities at fair value through profit or loss is attributable to changes in their credit risk.

Fair value estimation

Financial instruments, which are held at fair value in the balance sheet, are required to have disclosed their fair value measurements by level of the following fair value measurement hierarchy:

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

27. FINANCIAL RISK continued

The following table presents the Group's assets and liabilities measured at fair value:

31 December 2011	Level 1	Level 2	Level 3	Total balance
	£' Million	£' Million	£' Million	£' Million
Financial assets at fair value through profit or loss:				
Equities	**15,743.3**		**0.1**	**15,743.4**
Fixed income securities		**3,758.1**		**3,758.1**
Investment in Collective Investment Schemes	**3,001.9**		**0.8**	**3,002.7**
Derivative financial instruments		**28.2**		**28.2**
Cash & cash equivalents	**2,282.8**			**2,282.8**
Total financial assets at fair value through profit or loss	**21,028.0**	**3,786.3**	**0.9**	**24,815.2**
Financial liabilities at fair value through profit or loss:				
Investment contract benefits		**22,227.3**		**22,227.3**
Derivative financial instruments		**43.4**		**43.4**
Net asset value attributable to unit holders	**2,677.9**			**2,677.9**
Total financial liabilities at fair value through profit or loss	**2,677.9**	**22,270.7**	**–**	**24,948.6**

31 December 2010	Level 1	Level 2	Level 3	Total balance
	£' Million	£' Million	£' Million	£' Million
Financial assets at fair value through profit or loss:				
Equities	15,834.5		1.2	15,835.7
Fixed income securities		2,939.1		2,939.1
Investment in Collective Investment Schemes	2,556.7		1.8	2,558.5
Currency forwards		3.5		3.5
Cash & cash equivalents	1,957.2			1,957.2
Total financial assets at fair value through profit or loss	20,348.4	2,942.6	3.0	23,294.0
Financial liabilities at fair value through profit or loss:				
Investment contract benefits		21,191.9		21,191.9
Currency forwards		20.4		20.4
Net asset value attributable to unit holders	1,944.9			1,944.9
Total financial liabilities at fair value through profit or loss	1,944.9	21,212.3	–	23,157.2

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date, as described in the accounting policy (m). These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity instruments.

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

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

Specific valuation techniques used to value financial instruments include:

– The use of observable prices for recent arm's length transactions.
– Other techniques, such as discounted cash flow and option pricing models, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2, except for certain equities and investments in Collective Investment Schemes (CIS) as detailed below.

The following table presents the changes in Level 3 equities and investments in CIS:

	2011	2010
	£'Million	£'Million
Opening balance	**3.0**	7.5
Transfer (out of)/into Level 3	**(1.9)**	0.3
Additions during the year	**–**	0.1
Disposed during the year	**(0.1)**	(1.1)
Losses recognised in the profit or loss	**(0.1)**	(3.8)
Closing balance	**0.9**	3.0
Total losses for the year included in profit or loss for assets held at the end of the reporting period	**(0.1)**	(3.8)

Credit risk

The following table sets out the maximum credit risk exposure and ratings of financial and other assets which are neither past due or impaired and susceptible to credit risk:

31 December 2011	AAA	AA	A	BBB	Unrated	Unit linked funds and third party holdings in unit trusts(1)	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Fixed income securities	**80.0**					**3,678.1**	**3,758.1**
Investment in Collective Investment Schemes(2)	**207.9**				**0.7**	**2,794.1**	**3,002.7**
Cash & cash equivalents		**21.1**	**92.9**	**0.5**		**2,282.8**	**2,397.3**
Amounts due from reassurers							
– Claims outstanding		**3.2**					**3.2**
– Reassurers share of long-term insurance contract liabilities		**35.8**					**35.8**
Total amount due from reassurers		**39.0**					**39.0**
Other receivables					**119.9**		**119.9**
Total	**287.9**	**60.1**	**92.9**	**0.5**	**120.6**	**8,755.0**	**9,317.0**

(1) Credit risk relating to unit linked and unit trust funds is borne by the policyholder / unit holder.
(2) Investment of shareholder assets in Collective Investment Schemes refers to investment in unitised money market funds held for the longer-term.

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27. FINANCIAL RISK continued

The table below sets out the comparative credit risk analysis as at 31 December 2010:

31 December 2010	AAA	AA	A	BBB	Unrated	Unit linked funds and third party holdings in unit trusts	Total
	£' Million	£' Million	£' Million	£'Million	£' Million	£' Million	£' Million
Fixed income securities	60.7					2,878.4	2,939.1
Investment in Collective Investment Schemes	239.6				0.6	2,318.3	2,558.5
Cash & cash equivalents	10.0	63.4	77.7	3.0		1,957.2	2,111.3
Amounts due from reassurers							
– Claims outstanding		3.5	1.4				4.9
– Reassurers share of long-term insurance contract liabilities		32.9	0.8				33.7
Total amount due from reassurers		36.4	2.2				38.6
Other receivables					116.0	311.0	427.0
Total	310.3	99.8	79.9	3.0	116.6	7,464.9	8,074.5

Financial assets that are either past due or impaired

Loans to St. James's Place Partnership of £79.5 million (2010: £71.6 million) are net of an impairment provision of £6.7 million (2010: £6.7 million). The movement in the impairment loss recognised within Administration expenses in the statement of comprehensive income was a credit of £0.6 million (2010: £2.0 million credit). The factors considered in determining the impairment include default history, the nature or type of the Partner loan, exposure levels to individual Partners and whether the individual Partner is active or has left.

There are no other financial assets that are impaired, would otherwise be past due or impaired whose terms have been renegotiated or are past due but not impaired.

Contractual maturity and liquidity analysis

The following table sets out the contractual maturity analysis of the Group's financial assets and financial liabilities as at 31 December 2011:

31 December 2011	Up to 1 year	1 – 5 years	Over 5 years	Total ex. Unit linked funds and other unit holders	Unit linked funds and third party holdings in unit trusts*	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Financial Assets						
Equities				–	15,743.4	15,743.4
Fixed income securities		12.1	67.9	80.0	3,678.1	3,758.1
Investment in Collective Investment Schemes	208.6			208.6	2,794.1	3,002.7
Derivative financial instruments				–	28.2	28.2
Other receivables						
– St. James's Place Partnership loans	20.5	45.2	13.8	79.5		79.5
– Other	119.9			119.9	293.9	413.8
Total other receivables	140.4	45.2	13.8	199.4	293.9	493.3
Cash & cash equivalents	114.5			114.5	2,282.8	2,397.3
Total financial assets	463.5	57.3	81.7	602.5	24,820.5	25,423.0
Financial Liabilities						
Investment contract benefits				–	22,227.3	22,227.3
Borrowings	72.8	39.0		111.8		111.8
Derivative financial instruments				–	43.4	43.4
Other payables	152.0			152.0	224.5	376.5
Total financial liabilities	224.8	39.0		263.8	22,495.2	22,759.0

*Financial liabilities included under unit linked funds and (net assets) attributable to unit holders are deemed to have a maturity of up to one year since the corresponding unit linked liabilities are repayable and transferable on demand. In practice the contractual maturities of the assets may be longer than one year, but the majority of assets held within the unit linked and unit trust funds are highly liquid and the Group also actively monitors fund liquidity.

27. FINANCIAL RISK continued

The table below sets out comparative contractual maturity and liquidity analysis as at 31 December 2010:

31 December 2010	Up to 1 year	1 – 5 years	Over 5 years	Total ex. Unit linked funds and other unit holders	Unit linked funds and third party holdings in unit trusts*	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Financial Assets						
Equities				–	15,835.7	15,835.7
Fixed income securities			60.7	60.7	2,878.4	2,939.1
Investment in Collective Investment Schemes	240.2			240.2	2,318.3	2,558.5
Currency forwards				–	3.5	3.5
Other receivables						
– St. James's Place Partnership loans	17.0	40.8	13.8	71.6		71.6
– Other	116.0			116.0	311.0	427.0
Total other receivables	133.0	40.8	13.8	187.6	311.0	498.6
Cash & cash equivalents	154.1			154.1	1,957.2	2,111.3
Total financial assets	527.3	40.8	74.5	642.6	23,304.1	23,946.7
Financial Liabilities						
Investment contract benefits				–	21,191.9	21,191.9
Borrowings	69.3	15.9		85.2		85.2
Currency forwards				–	20.4	20.4
Other payables	185.7			185.7	247.9	433.6
Total financial liabilities	255.0	15.9		270.9	21,460.2	21,731.1

*Financial liabilities included under unit linked funds and attributable to unit holders are deemed to have a maturity up to one year as they are repayable or transferable on demand.

Sensitivity analysis to market risks

The majority of the Group's business is unit linked and the direct associated market risk is therefore borne by policyholders (although there is a secondary impact as shareholder income is dependent upon the markets). Financial assets and liabilities held outside unitised funds primarily consist of fixed interest securities, units in money market funds, cash and cash equivalents, and other assets and liabilities. The fixed interest securities are held to match non linked liabilities and the liability values move broadly in line with the matching asset values such that fair value interest rate risk is immaterial, although these is some residual risk due to imperfect matching. Cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

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

Currency risk

The Group is not subject to any significant currency risk since all material shareholder financial assets and financial liabilities are denominated in Sterling.

28. CAPITAL MANAGEMENT AND ALLOCATION

It is the Group's policy to maintain a strong capital base in order to:
– protect policyholders' and creditors' interests,
– support the development of its business and create shareholder value, and
– meet regulatory requirements at all times.

Within the Group each subsidiary manages its own capital in the context of the Group capital plan. Capital generated in excess of planned requirements is returned to the Group's parent, St. James's Place plc, normally by way of dividends. The Group capital plan is monitored by the Finance Capital Management Committee on behalf of the St. James's Place plc Board.

The Group's policy is for each Company to hold the higher of:
– the Company's internal assessment of the capital required; and
– the capital requirement of the relevant supervisory body plus a specified margin over this to absorb changes.

Generally, because of the nature of the business and the current regulatory rules, the higher requirement is that of the supervisory body plus the specified margin.

The following entities are under supervisory regulation and have to maintain a minimum level of regulatory capital:

Entity	Regulatory Body and Jurisdiction
St. James's Place UK plc	FSA: Long-term insurance business
St. James's Place International plc	Central Bank of Ireland: Life insurance business
St. James's Place Unit Trust Group Limited	FSA: UCITS Management Company
St. James's Place Wealth Management plc	FSA: Personal Investment Firm
St. James's Place Reinsurance Limited	Central Bank of Ireland: Reinsurance
St. James's Place Reassurance (2009) Limited	FSA: Insurance Special Purpose Vehicle
St. James's Place Trust Company Jersey Limited	Jersey Financial Services Commission
St. James's Place Wealth Management (PCIS) Limited	FSA: Securities and Futures

The FSA regulatory requirement for St. James's Place UK plc, which makes up the majority of the Group capital requirement, includes the prescribed minimum solvency margin requirement (the Capital Resources Requirement (CRR)) and an assessment of the risks faced under the business, known as the Individual Capital Assessment. The capital requirement is assessed and monitored by the Actuarial Committee, a committee of the St. James's Place UK plc Board.

The regulatory requirements for the remaining companies within the Group are assessed and monitored by the relevant Board.

There has been no material change in the Group's management of capital during the period and all regulated entities exceed the minimum solvency requirements at the balance sheet date.

Capital composition

The principal forms of capital are included in the following balances on the consolidated balance sheet:

	31 December 2011	31 December 2010
	£' Million	£' Million
Share capital	**74.0**	72.9
Share premium	**110.4**	98.1
Treasury shares reserve	**(8.5)**	(8.2)
Miscellaneous reserves	**2.3**	2.3
Retained earnings	**500.1**	421.2
	678.3	586.3

The above assets do not all qualify as regulatory capital. Analysis of the assets which do qualify as regulatory capital is given in Section 3 of the Financial Commentary on page 23. The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the period.

29. SHARE CAPITAL

	Number of Ordinary Shares	Share Capital
		£' Million
At 1 January 2010	482,031,787	72.3
– Scrip dividend	782,813	0.1
– Exercise of options	3,334,586	0.5
At 31 December 2010	486,149,186	72.9
– Scrip dividend	1,107,415	0.2
– Exercise of options	6,166,150	0.9
At 31 December 2011	**493,422,751**	**74.0**

The total authorised number of ordinary shares is 605 million (2010: 605 million), with a par value of 15 pence per share (2010: 15 pence per share). All issued shares are fully paid.

Included in the issued share capital are 3,048,030 (2010: 3,038,633) shares held in the Treasury Shares Reserve with a nominal value of £0.5 million (2010: £0.5 million).

The number of shares reserved for issue under options and contracts for sale of shares, including terms and conditions, is included within Note 30.

30. SHARE-BASED PAYMENTS

During the year ended 31 December 2011 the Group operated a number of different equity settled share-based payment arrangements, which are aggregated as follows:

- SAYE plan – this is a standard HMRC approved scheme that is available to all employees where individuals may contribute up to £250 per month over three years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.
- Executive deferred bonus schemes – under these plans the deferred element of the annual bonus is used to purchase shares at market value in the Company. The shares are held by the Company until vesting after three years and, in addition to the performance targets, which apply prior to any entitlement being granted, further performance conditions may also apply on vesting.
- Executive performance share plan – the Remuneration Committee of the Group Board may make awards of performance shares to the Executive Directors and other senior managers. Two-thirds of shares awarded to Directors are subject to an earnings growth condition of the Group and one-third of shares awarded to Directors are subject to a comparative total shareholder return (TSR) condition, both measured over a three year period. Further information regarding the vesting conditions of the earnings growth and total shareholder return dependent portions of the award is given in the Remuneration Report on page 70. Awards made to senior managers are largely only subject to the earnings growth condition of the Group.
- Executive and sales management share option schemes – these include both approved and unapproved elements and vest after three or five year periods subject to satisfying personal and/or Group earnings performance. The last award under these schemes was made in 2005.
- Partner share option schemes – these were offered to the Partners of the St. James's Place Partnership and vest over three to six years subject to satisfying personal sales related performance criteria. The last award under these schemes was made in 2007.
- Partner performance share plan – a new scheme was launched in January 2008 whereby Partners are entitled to purchase shares in the future at nominal value (15p). The number of shares the Partners are entitled to purchase will depend on their personal sales production in the year of the award and validation over the following 3 years.

Share options outstanding under the various share option schemes at 31 December 2011 amount to 29.3 million shares (2010: 34.6 million). Of these, 20.5 million are under option to Partners of the St. James's Place Partnership, 6.8 million are under option to executives and senior management (including 3.5 million under option to Directors as disclosed in the Remuneration Report on page 74) and 2.0 million are under option through the SAYE scheme. These are exercisable on a range of future dates.

The table below summarises the share-based payment awards made in 2010 and 2011:

	SAYE	Executive Deferred Bonus	Executive Performance Share Plan	Partner Performance Share Plan
Awards in 2010:				
Date of grant	23 March	10 March	Various	24 February
Number granted	323,129	1,151,682	2,108,585	675,000
Awards in 2011:				
Date of grant	23 March	15 March	Various	None
Number granted	327,130	1,133,358	1,797,964	–
Contractual life	3.5 years	3 years	3.5 years	4 years
Vesting conditions	3 year saving period	3 years' service and achievement of personal targets in some instances	3 years' service and achievement of earnings and TSR targets	Sales production for year of award and subsequent validation over following 3 years

Financial assumptions underlying the calculation of fair value

The fair value expense has been based on the fair value of the instruments granted, as calculated using appropriate derivative pricing models. The table below shows the assumptions and models used to calculate the grant date fair value of each award:

	SAYE	Executive Deferred Bonus	Executive Performance Share Plan	Partner Performance Share Plan(6)
Valuation model	Black Scholes	Black Scholes	Monte Carlo	Black Scholes
Awards in 2010:				
Fair value (pence)	100.5(2)	254.0	172.4/257.7(4)	–
Share price (pence)	250.0	254.0	254.7 & 257.7(5)	–
Exercise price (pence)	204.0	0.00	0.00	–
Expected volatility (% pa)(1)	51	N/A	51	–
Expected dividends (% pa)	1.8	N/A(3)	N/A	–
Risk-free interest rate (% pa)	2.0	N/A	N/A	–
Volatility of competitors (% pa)	N/A	N/A	17 to 106	–
Correlation with competitors (%)	N/A	N/A	20	–
Awards in 2011:				
Fair value (pence)	125.1(2)	331.6	245.4/331.6(4)	–
Share price (pence)	322.3	331.6	331.6 to 355.0(5)	–
Exercise price (pence)	242.0	0.00	0.00	–
Expected volatility (% pa)(1)	44	N/A	44	–
Expected dividends (% pa)	1.9	N/A(3)	N/A	–
Risk-free interest rate (% pa)	1.9	N/A	N/A	–
Volatility of competitors (% pa)	N/A	N/A	14 to 111	–
Correlation with competitors (%)	N/A	N/A	20	–

30. SHARE-BASED PAYMENTS continued

Notes:

(1) Expected volatility is based on an analysis of the Company's historic share price volatility over a period (typically three or five years) which is commensurate with the expected term of the options or the awards.

(2) In 2010 and 2011, the vesting period for the SAYE plan was three years. The vesting period may be extended by up to six months in order to catch up on missed contributions (up to a maximum of six).

(3) Dividends payable on the shares during the restricted period are paid out during the restricted period for the executive deferred bonus schemes and no dividend yield assumption is therefore required.

(4) The awards made under the executive performance share plan are dependent upon earnings growth in the Company (two-thirds of the award) and a total shareholder return of a comparator group of companies (one-third of the award). This results in having two fair values for each of the awards made in the table above, the first being in relation to the comparator total shareholder return and the second relating to the Company's earnings growth.

(5) Awards were made under the executive performance share plan on six separate occasions during both 2010 and 2011.

(6) There were no new awards made in 2010 or 2011 for the Partner Performance Share Plan.

	Year Ended 31 December 2011	**Year Ended 31 December 2011**	Year Ended 31 December 2010	Year Ended 31 December 2010
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
SAYE:				
Outstanding at start of year	**1,889,767**	**£1.62**	1,767,660	£1.56
Granted	**327,130**	**£2.42**	323,129	£2.04
Forfeited	**(121,564)**	**£1.97**	(161,200)	£1.79
Exercised	**(108,046)**	**£2.10**	(39,822)	£1.91
Expired	**–**		–	
Outstanding at end of year	**1,987,287**	**£1.70**	1,889,767	£1.62
Exercisable at end of year	**6,100**	**£1.50**	–	
Executive Share Options:				
Outstanding at start of year	**1,431,122**	**£1.78**	2,150,718	£1.79
Granted	**–**		–	
Forfeited	**–**		(116,851)	£2.48
Exercised	**(443,679)**	**£1.63**	(602,745)	£1.69
Expired	**–**		–	
Outstanding at end of year	**987,443**	**£1.84**	1,431,122	£1.78
Exercisable at end of year	**987,443**	**£1.84**	1,418,788	£1.77
Sales Management Share Options:				
Outstanding at start of year	**12,500**	**£2.42**	81,000	£1.89
Granted	**–**		–	
Forfeited	**–**		–	
Exercised	**(12,500)**	**£2.42**	(68,500)	£1.81
Expired	**–**		–	
Outstanding at end of year	**–**		12,500	£2.42
Exercisable at end of year	**–**		12,500	£2.42
Partner Share Options:				
Outstanding at start of year	**22,542,325**	**£2.38**	26,951,714	£2.33
Granted	**–**		–	
Forfeited	**(395,208)**	**£2.79**	(1,443,531)	£2.52
Exercised	**(4,255,067)**	**£2.01**	(2,965,858)	£1.69
Expired	**–**		–	
Outstanding at end of year	**17,892,050**	**£2.45**	22,542,325	£2.38
Exercisable at end of year	**17,857,625**	**£2.46**	21,971,025	£2.37

The average share price during the year was 329.2 pence (2010: 258.3 pence).

The SAYE plan options outstanding at 31 December 2011 had exercise prices of 150 pence (1,447,896 options), 204 pence (248,948 options) and 242 pence (290,443 options) and a weighted average remaining contractual life of 0.8 years.

The options outstanding under the executive share option schemes at 31 December 2011 had exercise prices ranging from 85.5 pence to 254.25 pence and a weighted average remaining contractual life of 2.3 years.

The options outstanding under the Partner share option schemes at 31 December 2011 had exercise prices ranging from 81.5 pence to 465 pence and a weighted average remaining contractual life of 3.2 years.

Executive Performance Share Plan (nil cost option – no proceeds on exercise)

	Year Ended 31 December 2011	Year Ended 31 December 2010
	Number of options	Number of options
Outstanding at start of year	**5,954,291**	5,027,836
Granted	**1,797,964**	2,108,585
Forfeited	**(675,117)**	(1,156,438)
Exercised	**(1,225,649)**	(25,692)
Expired	**–**	–
Outstanding at end of year	**5,851,489**	5,954,291
Exercisable at end of year	**–**	–

Partner Performance Share Plan (15 pence nominal share value option – 15 pence per share on exercise)

	Year Ended 31 December 2011	Year Ended 31 December 2010
	Number of options	Number of options
Outstanding at start of year	**2,772,500**	2,160,000
Granted	**–**	675,000
Forfeited	**(155,000)**	(62,500)
Exercised	**–**	–
Expired	**–**	–
Outstanding at end of year	**2,617,500**	2,772,500
Exercisable at end of year	**–**	–

Executive Deferred Bonus (no proceeds on exercise)

	Year Ended 31 December 2011	Year Ended 31 December 2010
	Number of shares	Number of shares
Outstanding at start of year	**2,705,275**	2,194,718
Granted	**1,133,358**	1,151,682
Forfeited	**(63,295)**	(7,053)
Exercised	**(1,084,531)**	(634,072)
Outstanding at end of year	**2,690,807**	2,705,275
Exercisable at end of year	**–**	–

30. SHARE-BASED PAYMENTS continued

Early exercise assumptions

The following allowance has been made for the impact of early exercise once options have vested:

(1) SAYE plan – all option holders are assumed to exercise half-way through the six month exercise window.

(2) Executive, sales management and partner share option schemes – it is assumed that 10% of option holders are forced to exercise their options each year irrespective of the level of the share price. For the remainder it is assumed that one-half will exercise their options each year if the share price is at least 33% above the exercise price.

Allowance for performance conditions

The executive performance share plan includes a market based performance condition based on the Company's total shareholder return relative to an index of comparator companies. The impact of this performance condition has been modelled using Monte Carlo simulation techniques, which involve running many thousands of simulations of future share price movements for both the Company and the comparator index. For the purpose of these simulations it is assumed that the share price of the Company and the comparator index are 20% (2010: 20%) correlated and that the comparator index has volatilities ranging between 14% pa to 111% pa (2010: 17% pa to 106% pa).

The performance condition is based on the Company's performance relative to the comparator index over a three year period commencing on 1 January each year. The fair value calculations for the awards that were made in 2011 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2011 and the various award dates.

Charge to the consolidated statement of comprehensive income

The table below sets out the charge to the consolidated statement of comprehensive income in respect of the share-based payment awards:

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Share-based payment expense	**10.5**	8.2

31. FINANCIAL COMMITMENTS

At 31 December 2011 the Group had the following annual commitments under non-cancellable operating leases in connection with the rental of office buildings and office equipment with varying lease end dates ranging from 2011 to 2027:

	31 December 2011	31 December 2010
	£' Million	£' Million
Within one year	**0.4**	0.4
Between two and five years	**3.2**	2.2
In more than five years	**6.4**	7.5
Total financial commitments	**10.0**	**10.1**

As at 31 December 2011, there was £3.0 million (2010: £3.1 million) of future minimum sublease payments expected to be received under non-cancellable sub-leases.

32. 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 year:

- Commission of £0.8 million (2010: £0.7 million) was receivable from the sale of banking services for St. James's Place Bank (a division of Halifax plc).
- Commission of £1.1 million (2010: £0.7 million) was receivable from the sale of pensions offered by Scottish Widows.
- Commission of £0.9 million (2010: £1.4 million) was receivable from the sale of Halifax, Cheltenham & Gloucester, Bank of Scotland, Birmingham Midshires, Scottish Widows and The Mortgage Business mortgages.
- Commission of £1.0 million (2010: £0.9 million) was receivable from Bank of Scotland Annuity Service.
- Commission of £22,000 (2010: £6,000) was receivable from Bank of Scotland in respect of corporate banking income in 2011.
- During the year, deposits were placed with Bank of Scotland on normal commercial terms. At 31 December 2011 these deposits amounted to £21.8 million (2010: £55.6 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 £87.7 million (2010: £84.9 million).
- Amounts lent by the Bank of Scotland to the Group totalled £0.8 million (2010: £0.8 million).
- Fees of £2.2 million (2010: £1.9 million) 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 31 December 2011 was £nil (2010: £0.3 million).
- Tax fees of £21,500 (2010: £24,557) in respect of annual tax compliance and ad-hoc tax advice were charged by LBG plc to certain unit trusts.
- Fees of £26,250 (2010: £50,000) were payable to LBG in respect of the services of non-executive St. James's Place Board Directors.
- The Group has an arm's length contract with Prudential (which owns 5.69% of the share capital) to provide administrative services.

St. James's Place Board Directors have been included in a directors' and officers' insurance policy negotiated on a group basis by LBG.

Transactions with St. James's Place unit trusts

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there was an expense recognised of £18.8 million (2010: £41.5 million income) and the total value of transactions with those non-consolidated unit trusts was £668.6 million (2010: £124.5 million). Net management fees receivable from these unit trusts amounted to £62.4 million (2010: £55.3 million). The value of the investment into the non-consolidated unit trusts at 31 December 2011 was £925.5 million (2010: £392.6 million).

Transactions with key management personnel

The compensation paid to key management personnel, being the Board of Directors of St. James's Place, is set out in the Remuneration Report on page 73. The Remuneration Report also sets out transactions with the Directors under the Deferred Bonus Scheme, the Performance Share Plan, the Executive Share Option Scheme and the SAYE Share Option Schemes, together with details of the Directors' interests in the share capital of the Company.

The charge to the statement of comprehensive income in respect of the share-based payment awards made to the Executive Directors of St. James's Place during 2011 was £4.1 million (2010: £2.5 million).

Commission of £662,391 (2010: £678,845) was paid, under normal commercial terms, to St. James's Place Partners who were related parties by virtue of being connected persons with key management. The outstanding amount payable at 31 December 2011 was £27,386 (2010: £29,777).

At the start of the year a St. James's Place Partner, connected to Mr Andrew Croft, held 137,000 options under the Partner share option scheme, exercisable between 1 July 2003 and 1 July 2009 (expiry dates between 31 July 2012 and 26 July 2015) at exercise prices ranging between £1.45 and £3.28, and 27,500 options under the Partner performance share plan exercisable on 24 February 2012 (same expiry date) at an exercise price of £0.15. During the year 51,000 options under the Partner share option scheme were exercised (2010: 10,000) at £1.45 leaving a balance at 31 December 2011 of 86,000 options under the Partner share option scheme and 27,500 options under the Partner performance share plan. The 51,000 options, which were exercised on two separate occasions: 5,779 on 23 March 2011 when the share price was £3.20; and 45,221 on 12 April 2011 when the share price was £3.41, realised a gain of £98,858.

33. PARENT COMPANY

The company regarded by the Directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Copies of the group accounts may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN. HBOS plc is the parent undertaking of the smallest group of undertakings for which group accounts are drawn up. Copies of the HBOS plc consolidated accounts may be obtained from HBOS plc, The Mound, Edinburgh, EH1 1YZ.

33. PARENT COMPANY continued

Lloyds Banking Group plc was the ultimate controlling party as at 31 December 2011 and has been the ultimate controlling party of the company since its acquisition of HBOS plc on 16 January 2009.

34. PRINCIPAL SUBSIDIARIES

Investment Holding Companies	St. James's Place Investments plc St. James's Place Wealth Management Group plc
Life Assurance	St. James's Place UK plc St. James's Place International plc (incorporated in Ireland)
Unit Trust Management	St. James's Place Unit Trust Group Limited
Distribution	St. James's Place Wealth Management plc
Management Services	St. James's Place Management Services Limited
Internal Reassurance	St. James's Place Reinsurance Limited (incorporated in Ireland) St. James's Place Reassurance (2009) Limited

A full list of subsidiaries is available on request from the registered office and will be submitted with the Company's Annual Return.

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the above-named subsidiaries.

All of these companies are registered in England and Wales and operate principally in the United Kingdom except where otherwise stated.

Due to ongoing solvency requirements, there are restrictions on the amount of distributable reserves within the life assurance, unit trust and financial services operating companies of the Group which restricts their ability to transfer cash dividends to the Company.

In addition, the Group accounts consolidate the following unit trusts:

St. James's Place Allshare Income Unit Trust
St. James's Place Alternative Assets Unit Trust
St. James's Place Balanced Managed Unit Trust
St. James's Place Cash Unit Trust
St. James's Place Continental European Unit Trust
St. James's Place Corporate Bond Unit Trust
St. James's Place Ethical Unit Trust
St. James's Place Far East Unit Trust
St. James's Place Gilts Unit Trust
St. James's Place Global Equity Unit Trust
St. James's Place Global Unit Trust
St. James's Place Global Emerging Markets Unit Trust
St. James's Place High Octane Unit Trust
St. James's Place International Corporate Bond Unit Trust
St. James's Place Investment Grade Corporate Bond Unit Trust
St. James's Place Managed Equity and Bond Unit Trust
St. James's Place Managed Growth Unit Trust
St. James's Place North American Unit Trust
St. James's Place Strategic Managed Unit Trust
St. James's Place UK Absolute Return Unit Trust
St. James's Place UK and International Unit Trust
St. James's Place Worldwide Opportunities Unit Trust

All of these unit trusts are managed in the United Kingdom.

Parent Company Accounts on UK GAAP Basis

Independent Auditors' Report
to the Members of St. James's Place plc

We have audited the parent company financial statements of St. James's Place plc for the year ended 31 December 2011 which comprise the Balance Sheet of the Parent Company and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Accounts and the Financial Statements set out on pages 65 and 66, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of St. James's Place plc for the year ended 31 December 2011.

Craig Gentle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 February 2012

a. The financial statements are published on the website of St. James's Place plc, www.sjp.co.uk. 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.
b. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Balance Sheet of the Parent Company

	Notes	31 December 2011 £' Million	31 December 2010 £' Million
Fixed assets			
Investment in subsidiaries	2	**377.4**	368.5
Current assets			
Income tax assets		**0.1**	0.2
Other debtors		**0.1**	–
Current liabilities			
Amounts owed to Group undertakings		**(22.6)**	(44.0)
Net current liabilities		**(22.4)**	(43.8)
Total assets less current liabilities		**355.0**	324.7
Capital and reserves			
Called up share capital	3	**74.0**	72.9
Share premium	4	**110.4**	98.1
Share option reserve	4	**68.0**	57.5
Other reserves	4	**0.1**	0.1
Profit and loss account	4	**102.5**	96.1
Total shareholders' funds		**355.0**	324.7

The financial statements on pages 127 to 131 were approved by the Board of Directors on 21 February 2012 and signed on its behalf by:

D Bellamy
Chief Executive

A Croft
Chief Financial Officer

The notes and information on pages 128 to 131 form part of these accounts.

Notes to the Parent Company Accounts

1. ACCOUNTING POLICIES

Basis of preparation

St. James's Place plc (the "Company") is a limited liability company incorporated in England and Wales and whose shares are publicly traded. The Company offers a range of insurance, investment and other wealth management services through its subsidiaries, which are principally incorporated in the UK and Ireland.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The Company has elected to continue to prepare the parent financial statements in accordance with UK Generally Accepted Accounting Practice. In publishing the Parent Company financial statements, the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual profit and loss account and related notes that form part of these financial statements. The Company is not required to present a statement of total recognised gains and losses.

As discussed in the Directors' Report the going concern basis has been adopted in preparing these accounts.

All accounting policies have been reviewed for appropriateness in accordance with Financial Reporting Standard (FRS) 18 *(Accounting Policies).* The Company has not presented a cash flow statement as a consolidated cash flow statement is presented in the consolidated Group financial statements.

Significant accounting policies

(a) Investment return

Investment return comprises dividends from subsidiaries, which are accounted for when received.

(b) Taxation

Taxation is based on profits and income for the period as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods.

(c) Investment in subsidiaries

Investments in subsidiaries are carried at cost after impairment losses, plus the cost of share awards granted by the Company of its own shares.

(d) Debtors

Debtors are stated at amortised cost less impairment losses.

(e) Amounts owed to Group undertakings

Amounts owed to Group undertakings are stated at amortised cost.

(f) Impairment losses

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated based on the present value of its estimated future cash flows.

2. INVESTMENT IN SUBSIDIARIES

	2011 £' Million	2010 £' Million
Cost at 1 January		
Investment in Group undertakings	**311.4**	311.4
Share options granted by Company	**57.5**	49.3
	368.9	360.7
Additions in the year		
Investment in Group undertakings	**–**	–
Share options granted by Company	**10.5**	8.2
	10.5	8.2
Cost at 31 December		
Investment in Group undertakings	**311.4**	311.4
Share options granted by Company	**68.0**	57.5
	379.4	368.9
Impairment in value		
Investment in Group undertakings	**(2.0)**	(0.4)
Net book value at 31 December	**377.4**	368.5

The Directors' believe that the carrying value of the investments is supported by their underlying net assets.

Principal Subsidiary Undertakings at 31 December 2011

Investment Holding Companies	St. James's Place Investments plc
	St. James's Place Wealth Management Group plc
Life Assurance	St. James's Place UK plc
	St. James's Place International plc (incorporated in Ireland)
Unit Trust Management	St. James's Place Unit Trust Group Limited
Distribution	St. James's Place Wealth Management plc
Management Services	St. James's Place Management Services Limited
Internal Reassurance	St. James's Place Reinsurance Limited (incorporated in Ireland)
	St. James's Place Reassurance (2009) Limited

A full list of subsidiaries is available on request from the registered office and will be submitted with the Company's Annual Return.

The Company owns either directly or indirectly 100% of the voting ordinary equity share capital of the above-named subsidiaries.

All of these companies are registered in England and Wales and operate principally in the United Kingdom except where otherwise stated.

Due to ongoing solvency requirements, there are restrictions on the amount of distributable reserves within the life assurance, unit trust and financial services operating companies of the Group which restricts their ability to transfer cash dividends to the Company.

3. CALLED UP SHARE CAPITAL

	Number of Ordinary Shares	Share Capital
		£' Million
At 1 January 2010	482,031,787	72.3
– Scrip dividend	782,813	0.1
– Exercise of options	3,334,586	0.5
At 31 December 2010	486,149,186	72.9
– Scrip dividend	1,107,415	0.2
– Exercise of options	6,166,150	0.9
At 31 December 2011	**493,422,751**	**74.0**

The total authorised number of ordinary shares is 605 million (2010: 605 million), with a par value of 15 pence per share (2010: 15 pence per share). All issued shares are fully paid.

6,166,150 shares were issued in the year at a nominal value of £0.9 million, for which the company received consideration of £9.9 million.

4. RESERVES

	Share Premium	Profit and Loss Account	Share Option Reserve	Other Reserves	Total
	£' Million	£' Million	£' Million	£' Million	£' Million
At 1 January 2010	90.5	91.1	49.3	0.1	231.0
Profit for the financial year		27.6			27.6
Dividends		(22.6)			(22.6)
Issue of share capital					
– Scrip dividend	1.9				1.9
– Exercise of options	5.7				5.7
Cost of share options expensed in subsidiary			8.2		8.2
At 31 December 2010	98.1	96.1	57.5	0.1	251.8
Profit for the financial year		41.5			41.5
Dividends		(35.1)			(35.1)
Issue of share capital					
– Scrip dividend	3.3				3.3
– Exercise of options	9.0				9.0
Cost of share options expensed in subsidiary			10.5		10.5
At 31 December 2011	**110.4**	**102.5**	**68.0**	**0.1**	**281.0**

5. AUDITORS' REMUNERATION

The total audit fee in respect of the Group is set out in Note 6 on page 96 of the consolidated financial statements. The audit fee charged to the Company for the year ended 31 December 2011 is £1,000 (2010: £1,000).

6. DIVIDENDS

The following dividends have been paid by the Group:

	Year Ended 31 December 2011	Year Ended 31 December 2010	**Year Ended 31 December 2011**	Year Ended 31 December 2010
	Pence per Share	Pence per Share	**£' Million**	£' Million
Final dividend in respect of previous financial year	**3.975**	2.660	**19.4**	12.8
Interim dividend in respect of current financial year	**3.200**	2.025	**15.7**	9.8
Total	**7.175**	4.685	**35.1**	22.6

The Directors have recommended a final dividend of 4.8 pence per share (2010: 3.975 pence). This amounts to £23.7 million (2010: £19.4 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 16 May 2012 to those shareholders on the register as at 30 March 2012.

7. RELATED PARTY TRANSACTIONS AND BALANCES

At the year end the following related party balances existed:

	31 December 2011	31 December 2010
	£' Million	£' Million
Investments in Group companies		
St. James's Place Partnership Limited	**42.0**	42.0
St. James's Place Wealth Management Group plc	**155.6**	145.1
St. James's Place Investments plc	**179.8**	181.4
Intra-group creditors		
St. James's Place Investments plc	**22.6**	44.0

During the year, the Company received £43.0 million (2010: £28.0 million) dividends from subsidiary undertakings.

8. DIRECTORS' EMOLUMENTS

The Directors' responsibilities relate primarily to the trading companies of the Group and accordingly their costs are charged to those companies and none are met by the Parent Company. Disclosure of the Directors' emoluments is made within the Remuneration Report on page 73.

9. PARENT COMPANY

The company regarded by the Directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Copies of the group accounts may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN. HBOS plc is the parent undertaking of the smallest group of undertakings for which group accounts are drawn up. Copies of the HBOS plc consolidated accounts may be obtained from HBOS plc, The Mound, Edinburgh, EH1 1YZ.

Lloyds Banking Group plc was the ultimate controlling party as at 31 December 2011 and has been the ultimate controlling party of the Company since its acquisition of HBOS plc on 16 January 2009.

Supplementary Information on European Embedded Value Basis

Independent Auditors' Report
to the Directors of St. James's Place plc ("the Company") on the Supplementary Information on European Embedded Value Basis

We have audited the Supplementary Information on the European Embedded Value Basis for the year ended 31 December 2011 that comprise the Consolidated Statement of Income – European Embedded Value Basis, Consolidated Statement of Changes in Equity – European Embedded Value Basis, Consolidated Statement of Financial Position – European Embedded Value and the related notes ('the Supplementary Information'), which has been prepared in accordance with the European Embedded Value ('EEV') basis set out in Note I – Basis of Preparation and which should be read in conjunction with the Group's financial statements.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors Responsibilities, the directors are responsible for preparing the Supplementary Information on the EEV basis in accordance with the EEV basis set out in Note I – Basis of Preparation. Our responsibility is to audit and express an opinion on the Supplementary Information in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's directors as a body in accordance with our letter of engagement dated 4 January 2011 and for no other purpose. We do not, in giving this opinion, 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.

Scope of the audit of the Supplementary Information

An audit involves obtaining evidence about the amounts and disclosures in the Supplementary Information sufficient to give reasonable assurance that the Supplementary Information is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the Supplementary Information. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Supplementary Information. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Supplementary Information

In our opinion, the Supplementary Information for the year ended 31 December 2011 has been properly prepared in all material respects in accordance with the European Embedded Value basis set out in Note I – Basis of Preparation.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
21 February 2012

(a) The Supplementary information is published on the website of St. James's Place plc, www.sjp.co.uk. The maintenance and integrity of the St. James's Place plc website is the responsibility of the directors; the audit work does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the Supplementary Information since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of Supplementary Information may differ from legislation in other jurisdictions.

Consolidated Statement of Income
European Embedded Value Basis

The following supplementary 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.

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life business	294.2	256.8
Unit Trust business	84.5	81.7
Distribution business	6.1	5.8
Other	(13.3)	(11.7)
EEV operating profit	371.5	332.6
Investment return variances	(180.4)	117.6
Economic assumption changes	(0.3)	4.8
EEV profit before tax	190.8	455.0
Tax		
Life business	(34.5)	(87.9)
Unit Trust business	(9.9)	(31.8)
Distribution business	(1.6)	(1.8)
Other	3.5	1.4
Corporation tax rate change	50.5	17.7
	8.0	(102.4)
EEV profit after tax	198.8	352.6

The notes and information on pages 137 to 143 form part of this supplementary information.

Consolidated Statement of Changes in Equity
European Embedded Value Basis

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Opening shareholders' equity on an EEV basis	**1,715.5**	1,371.4
EEV profit after tax for the year	**198.8**	352.6
Issue of share capital	**13.4**	8.2
Retained earnings credit in respect of share option charges	**10.5**	8.2
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust	**–**	0.1
Dividends paid	**(35.1)**	(22.6)
Consideration paid for own shares	**(3.6)**	(2.4)
Closing shareholders' equity on an EEV basis	**1,899.5**	1,715.5

The notes and information on pages 137 to 143 form part of this supplementary information.

Financial Statements

Consolidated Statement of Financial Position
European Embedded Value Basis

	31 December 2011	31 December 2010
	£' Million	£' Million
Assets		
Intangible assets		
Deferred acquisition costs	**865.1**	755.7
Value of long-term business in-force		
– long-term insurance	**950.2**	877.2
– unit trusts	**305.8**	288.7
Computer software	**8.4**	2.1
Customer list	**0.9**	–
	2,130.4	1,923.7
Property & equipment	**5.4**	7.7
Deferred tax assets	**248.5**	158.2
Investment property	**550.9**	397.8
Investments	**22,532.4**	21,336.8
Reinsurance assets	**39.0**	38.6
Insurance and investment contract receivables	**44.5**	14.2
Income tax assets	**41.3**	37.0
Other receivables	**530.2**	547.1
Cash & cash equivalents	**2,329.3**	2,042.0
Total assets	**28,451.9**	26,503.1
Liabilities		
Insurance contract liabilities	**394.0**	417.9
Other provisions	**3.1**	3.6
Financial liabilities	**22,314.5**	21,228.2
Deferred tax liabilities	**207.3**	210.8
Insurance and investment contract payables	**29.9**	44.6
Deferred income	**536.9**	469.6
Income tax liabilities	**12.4**	34.4
Other payables	**376.4**	433.6
Net asset value attributable to unit holders	**2,677.9**	1,944.9
Total liabilities	**26,552.4**	24,787.6
Net assets	**1,899.5**	1,715.5
Shareholders' equity		
Share capital	**74.0**	72.9
Share premium	**110.4**	98.1
Treasury share reserve	**(8.5)**	(8.2)
Miscellaneous reserves	**2.3**	2.3
Retained earnings	**1,721.3**	1,550.4
Total shareholders' equity on an EEV basis	**1,899.5**	1,715.5
	Pence	Pence
Net assets per share	**385.0**	352.9

The supplementary information on pages 134 to 143 was approved by the Board of Directors on 21 February 2012 and signed on its behalf by:

D Bellamy
Chief Executive

A Croft
Chief Financial Officer

The notes and information on pages 137 to 143 form part of this supplementary information.

Notes to the European Embedded Value Basis

I. BASIS OF PREPARATION

The supplementary information on pages 134 to 143 shows the Group's results as measured on a European Embedded Value (EEV) basis. This includes results for the life, pension and investment business, including unit trust business. The valuation is undertaken 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 issued in October 2005 (together 'the EEV Principles'). The treatment of all other transactions and balances is unchanged from the primary financial statements on an IFRS basis. The EEV basis recognises the long-term nature of the emergence of shareholder cash returns by reflecting the net present value of expected future cash flows.

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

(a) Covered business

The covered business is the life, pension and investment business, including unit trust business, undertaken by the Group.

(b) Calculation of EEV on existing business

Profit from existing business comprises the expected return on the value of in-force business at the start of the year plus the impact of any changes in the assumptions regarding future operating experience, plus changes in reserving basis (other than economic assumption changes), plus profits and losses caused by differences between the actual experience for the period and the assumptions used to calculate the embedded value at the end of the period.

(c) Allowance for risk

The allowance for risk in the shareholder cash flows is a key feature of the EEV Principles. The EEV Principles set out three main areas of allowance for risk in the embedded value:

– The risk discount rate
– The allowance for the cost of financial options and guarantees
– The cost of holding both prudential reserves and any additional capital required

The reported EEV allows for risk via a risk discount rate based on a bottom-up market-consistent approach, plus an appropriate additional margin for non-market risk. The Group does not offer products that carry any significant financial guarantees or options.

(d) Non-market risk

Best estimate assumptions have been established based on available information and when used within the market consistent calculations provide the primary evaluation of the impact of non-market risk. However, some non-market operational risks are not symmetric, with adverse experience having a higher impact on the EEV than favourable experience. Allowance has been made for this by increasing the risk discount rate by 0.8% (2010: 0.8%).

(e) The risk discount rate

A market-consistent embedded value for each product class has been calculated.

In principle, each cash flow is valued using the discount rate applied to such a cash flow in the capital markets. However in practice, where cash flows are either independent or move linearly with market movement, it is possible to apply a simplified method known as the "certainty equivalent" approach. Under this approach all assets are assumed to earn the risk free rate and are discounted using that risk free rate.
A market-consistent cost of holding the required capital has also been calculated.

As part of this approach, an appropriate adjustment has been made to reflect the fact that the value of tax relief on expenses does not move linearly with market movements. Finally, an additional allowance for non-market risk has been made by increasing the discount rate by 0.8%.

For presentational purposes, a risk discount rate has then been calculated which under the EEV basis gives the same value determined above. This provides an average risk discount rate for the EEV and is described in relation to the risk free rate. This average risk discount rate has also been used to calculate the published value of new business.

II. METHODOLOGY continued

(f) Cost of required capital

In light of the results of internal analysis, the Directors consider that the minimum regulatory capital provides adequate capital cover for the risks inherent in the covered business. The required capital for the EEV calculations has therefore been set to the optimised minimum regulatory capital.

The EEV includes a reduction for the cost of holding the required capital. No allowance has been made for any potential adjustment that the investors may apply because they do not have direct control over their capital. Any such adjustment would be subjective, as different investors will have different views of what, if any, adjustment should be made.

(g) 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 value of new business has been established at the end of the reporting period and has been calculated using actual acquisition costs.

(h) Operating profit

Operating profit is determined as the increase in the embedded value over the year excluding market-related impacts such as the effects of economic assumption changes and investment variances and grossed up for shareholder tax.

(i) Tax

The EEV includes the present value of tax relief on life assurance expenses calculated on a market-consistent basis. This calculation takes into account all expense and income amounts projected for the in-force business (including any carried forward unutilised relief on expenses).

In determining the market-consistent value an appropriate allowance is made to reflect the fact that the value of tax relief on expenses does not move linearly with market movements.

When calculating the value of new business, priority is given to relieving the expenses relating to that business.

III. ASSUMPTIONS

(a) Economic assumptions

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

	Year Ended 31 December 2011	Year Ended 31 December 2010
Risk free rate	**2.0%**	3.6%
Inflation rate	**2.7%**	3.2%
Risk discount rate (net of tax)	**5.1%**	6.7%
Future investment returns:		
– Gilts	**2.0%**	3.6%
– Equities	**5.0%**	6.6%
– Unit linked funds		
– Capital growth	**1.4%**	2.9%
– Dividend income	**2.9%**	3.0%
– Total	**4.3%**	5.9%
Expense inflation	**3.5%**	3.9%

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. This rate is increased to reflect higher increases in earnings related expenses.

(b) Experience assumptions
The principal experience assumptions have been set on a best estimate basis. They are reviewed regularly.

The persistency assumptions are derived from the Group's own experience or, where insufficient data exists, from external industry experience.

The expense assumptions include allowance for both the costs charged by the relevant third party administrators for acquisition and maintenance, and the corporate costs incurred in respect of covered business. The corporate costs have been apportioned so that the total maintenance costs represent the anticipated ongoing expenses, including systems development costs, which are expected to arise in future years in meeting the policy servicing requirements of the in-force business.

Mortality and morbidity assumptions have been set by reference to the Group's own experience, published industry data and the rates set by the Group's reassurers.

(c) Tax
The EEV result has been calculated allowing for tax and has been grossed up to a pre-tax level for presentation in the profit and loss account. The corporation tax rate used for this grossing up is 22.2% (2010: 26%) for UK life and pensions business, 12.5% (2010: 12.5%) for Irish life and pensions business and 23.4% (2010: 28%) for unit trust business. Future tax has been determined assuming a continuation of the current tax legislation. The reduction in tax rates for UK business reflects both the changes in tax rate enacted in the year, and also the further 2% reduction to which the government has committed in future years.

IV. COMPONENTS OF EEV PROFIT

(a) Life business

	Note	Year Ended 31 December 2011	Year Ended 31 December 2010
		£' Million	£' Million
New business contribution	1	182.5	157.9
Profit from existing business			
Unwind of discount rate	2	72.7	74.0
Experience variances		39.4	24.8
Operating assumption changes		(2.7)	(3.4)
Investment income		2.3	3.5
EEV operating profit		294.2	256.8
Investment return variances		(141.2)	84.9
Economic assumption changes		2.7	5.8
EEV profit before tax		155.7	347.5
Tax		(34.5)	(87.9)
Corporation tax rate change		37.6	13.8
EEV profit after tax		158.8	273.4

Note 1: New business contribution after tax is £142.5 million (2010: £118.2 million)
Note 2: The unwind is calculated by applying the year end discount rate to the opening value of in force (the value placed on the future cash flows of the business). The discount rate is set by reference to the yield on a 10 year UK government gilt – the risk free rate. The 1.6% reduction in this yield during 2011 has resulted in a corresponding reduction in the discount rate

Had the opening discount rate been used for the calculation, the unwind would have been £22.1 million higher (2010: £6.5 million higher), with a matching offset in the investment variance.

As noted in the Financial Commentary, the approach will change going forwards so that the unwind is calculated using the opening discount rate.

IV. COMPONENTS OF EEV PROFIT continued

(b) Unit Trust business

	Note	Year Ended 31 December 2011	Year Ended 31 December 2010
		£' Million	£' Million
New business contribution	1	**63.5**	59.9
Profit from existing business			
Unwind of discount rate	2	**18.5**	19.5
Experience variances		**(1.3)**	1.6
Operating assumption changes		**3.3**	–
Investment income		**0.5**	0.7
EEV operating profit		**84.5**	81.7
Investment return variances		**(39.2)**	32.7
Economic assumption changes		**(3.0)**	(1.0)
EEV profit before tax		**42.3**	113.4
Tax		**(9.9)**	(31.8)
Corporation tax rate change		**12.9**	3.9
EEV profit after tax		**45.3**	85.5

Note 1: New business contribution after tax is £48.7 million (2010: £43.1 million)

Note 2: Had the unwind been calculated using the opening discount rate, it would have been £5.7 million higher (2010: £1.7 million higher).

(c) Combined Life and Unit Trust business

	Note	Year Ended 31 December 2011	Year Ended 31 December 2010
		£' Million	£' Million
New business contribution	1	**246.0**	217.8
Profit from existing business:			
Unwind of discount rate	2	**91.2**	93.5
Experience variances		**38.1**	26.4
Operating assumption changes		**0.6**	(3.4)
Investment income		**2.8**	4.2
EEV operating profit		**378.7**	338.5
Investment return variances		**(180.4)**	117.6
Economic assumption changes		**(0.3)**	4.8
EEV profit before tax		**198.0**	460.9
Tax		**(44.4)**	(119.7)
Corporation tax rate change		**50.5**	17.7
EEV profit after tax		**204.1**	358.9

Note 1: New business contribution after tax is £191.2 million (2010: £161.3 million).

Note 2: Had the unwind been calculated using the opening discount rate, it would have been £27.8 million higher (2010: £8.2 million higher).

(d) Detailed analysis

In order to better explain the movement in capital flows, the components of the EEV profit for the year ended 31 December 2011 are shown separately between the movement in IFRS net assets and the present value of the in-force business (VIF) in the table below. All figures are shown net of tax.

	Movement in IFRS Net Assets	Movement in VIF	Movement in EEV
	£' Million	£' Million	£' Million
New business contribution	**(65.8)**	**256.9**	**191.1**
Profit from existing business	**154.5**	**(154.5)**	**–**
Unwind of discount rate	**–**	**71.1**	**71.1**
Experience variances	**38.8**	**(6.8)**	**32.0**
Operating assumption changes	**2.1**	**(1.6)**	**0.5**
Investment return	**2.2**	**–**	**2.2**
Investment return variances	**(13.2)**	**(128.4)**	**(141.6)**
Economic assumption changes	**(4.9)**	**4.8**	**(0.1)**
Miscellaneous	**(6.9)**	**–**	**(6.9)**
Corporation tax rate change	**–**	**50.5**	**50.5**
EEV profit after tax	**106.8**	**92.0**	**198.8**

The comparative figures for 2010 are as follows:

	Movement in IFRS Net Assets	Movement in VIF	Movement in EEV
	£' Million	£' Million	£' Million
New business contribution	(61.9)	223.2	161.3
Profit from existing business	124.9	(124.9)	–
Unwind of discount rate	–	69.5	69.5
Experience variances	(4.9)	24.3	19.4
Operating assumption changes	(2.0)	(0.9)	(2.9)
Investment return	3.2	–	3.2
Investment return variances	4.0	83.1	87.1
Economic assumption changes	(2.0)	5.6	3.6
Miscellaneous	(6.3)	–	(6.3)
Corporation tax rate change	–	17.7	17.7
EEV profit after tax	55.0	297.6	352.6

V. EEV 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 key assumptions. The sensitivities are specified by the EEV principles and reflect reasonably possible levels of change. In each case, only the indicated item is varied relative to the restated values.

	Notes	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 31 December 2011		**246.0**	**191.2**	**1,899.5**
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(1.9)	(1.6)	4.6
10% reduction in withdrawal rates	2	23.6	18.4	93.0
10% reduction in expenses		5.0	3.9	25.0
10% reduction in market value of equity assets	3	–	–	(175.8)
5% reduction in mortality and morbidity	4	–	–	1.0
100bp increase in equity expected returns	5	–	–	–
100bp increase in assumed inflation	6	(4.5)	(3.5)	(15.7)

Notes:
1. This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
2. The 10% reduction is applied to the lapse rate. For instance, if the lapse rate is 8% then a 10% sensitivity reduction would reflect a change to 7.2%.
3. 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%.
4. Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.
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.
6. Assumed inflation is set by reference to 10 year index linked gilt yields.

	Change in new business Contribution Pre-tax	Change in new business Contribution Post-tax	Change in European Embedded Value Post-tax
	£' Million	£' Million	£' Million
100bp reduction in risk discount rate	34.7	27.0	132.1

Although not directly relevant under a market-consistent valuation, this sensitivity shows the level of adjustment which would be required to reflect differing investor views of risk.

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

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
IFRS profit before tax	**21.3**	161.9
Movement in life value of in-force	**155.0**	197.0
Movement in unit trust value of in-force	**14.5**	96.1
EEV profit before tax	**190.8**	455.0

	31 December 2011	31 December 2010
	£' Million	£' Million
IFRS net assets	**678.3**	586.3
Less: acquired value of in-force	**(46.4)**	(50.2)
Add: deferred tax on acquired value of in-force	**11.6**	13.5
Add: life value of in-force	**950.2**	877.2
Add: unit trust value of in-force	**305.8**	288.7
EEV net assets	**1,899.5**	1,715.5

VII. RECONCILIATION OF LIFE COMPANY FREE ASSETS TO CONSOLIDATED GROUP EQUITY AND ANALYSIS OF MOVEMENT IN FREE ASSETS

	31 December 2011	31 December 2010
	£' Million	£' Million
Life company estimated free assets	**122.3**	102.1
Estimated required life company solvency capital	**43.4**	39.5
Other subsidiaries, consolidation and IFRS adjustments	**512.6**	444.7
IFRS net assets	**678.3**	586.3

	Year Ended 31 December 2011	Year Ended 31 December 2010
	£' Million	£' Million
Life company estimated free assets at 1 January	**102.1**	82.2
Investment in new business	**(71.2)**	(69.5)
Profit from existing business	**108.5**	96.0
Dividends paid	**(15.0)**	(10.0)
Investment return	**1.8**	2.7
Movement in required solvency capital	**(3.9)**	0.7
Life company estimated free assets at 31 December	**122.3**	102.1

Shareholder Information

ANALYSIS OF NUMBER OF SHAREHOLDERS

Analysis by Number of Shares	Holders	%	Shares held	%
1 – 999	2,477	44.5	967,602	0.2
1,000– 9,999	2,402	43.2	7,145,189	1.5
10,000 – 99,999	511	9.2	14,422,177	2.9
100,000 and above	173	3.1	470,887,783	95.4
	5,563	100.0	493,422,751	100.0

FINANCIAL CALENDAR

Ex-dividend date for final dividend	28 March 2012
Record date for final dividend	30 March 2012
Final date for receipt of Dividend Reinvestment Plan mandates	24 April 2012
Announcement of first quarter new business	3 May 2012
Annual General Meeting	8 May 2012
Payment date for final dividend	16 May 2012
Announcement of Interim Results and second quarter new business	26 July 2012
Announcement of third quarter new business	31 October 2012

DIVIDEND REINVESTMENT PLAN ('DRP')

The Directors have decided to replace the scrip dividend scheme with a Dividend Reinvestment Plan (DRP). If you would prefer to receive new shares instead of cash dividends, please complete a DRP mandate form, which is available from our Registrars, Computershare Investor Services PLC. Their contact details are on page 145.

SHARE DEALING

A telephone share dealing service has been established with the Registrars, Computershare Investor Services PLC, which provides shareholders with a simple way of buying or selling St. James's Place plc shares on the London Stock Exchange. If you are interested in this service telephone 0870 703 0084.

ELECTRONIC COMMUNICATIONS

If you would like to have access to shareholder communications such as the Annual Report and the Notice of General Meeting through the internet rather than receive them by post, please register at www.etreeuk.com/stjamesplace.

An internet share dealing service is also available. Further information about this section can be obtained by logging on to: www.computershare.com/dealing/uk

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