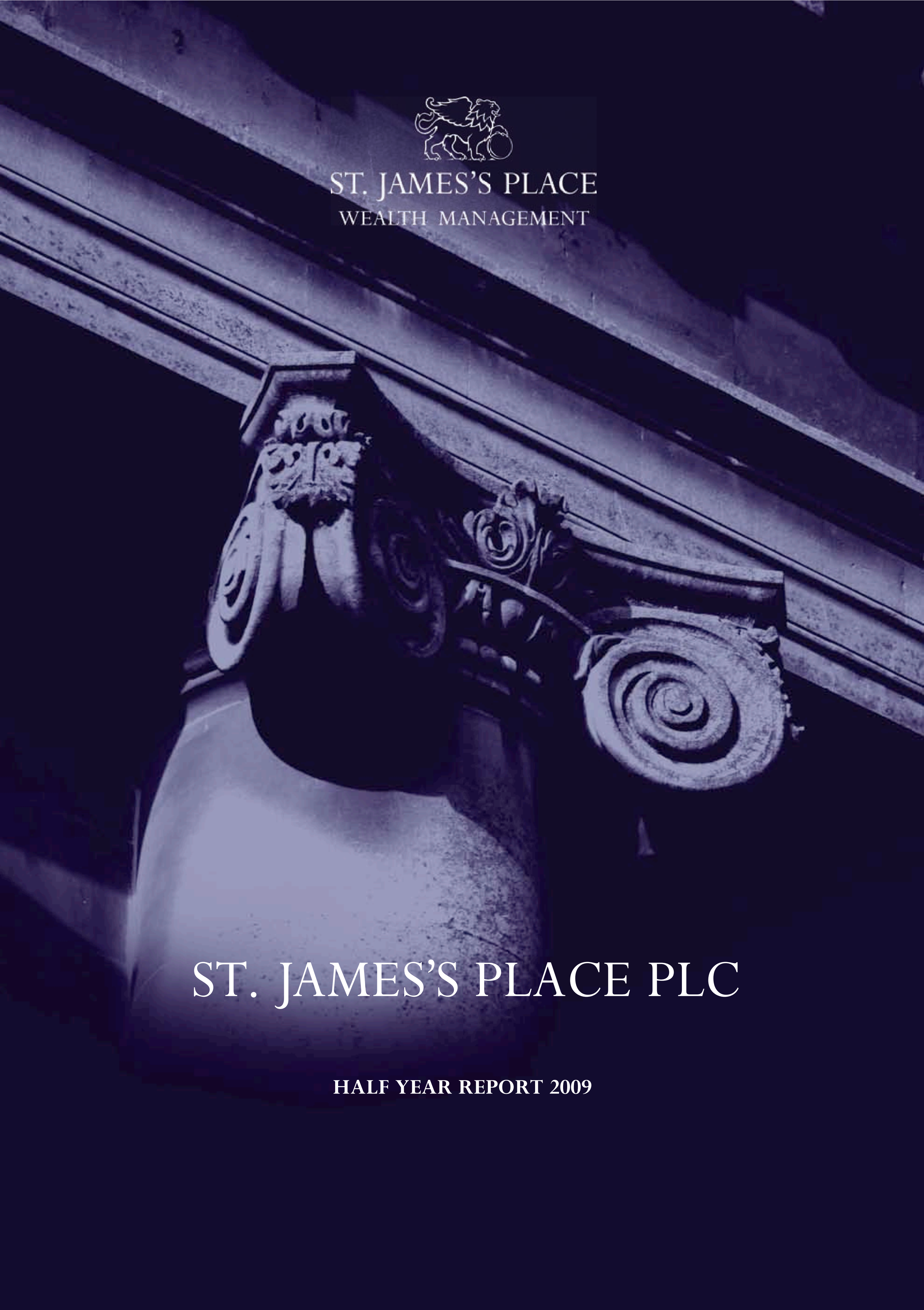


ST. JAMES'S PLACE
WEALTH MANAGEMENT

ST. JAMES'S PLACE PLC

HALF YEAR REPORT 2009

St. James's Place plc

Contents

2009 Summary Half Year Results

	6 Months Ended 30 June 2009 £' Million	6 Months Ended 30 June 2008 £' Million
EEV Basis		
Life business	**83.8**	91.8
Unit trust business	**28.1**	29.9
Other	**(10.9)**	(7.5)
Operating profit before tax	**101.0**	114.2
Total profit/(loss) before tax	**27.4**	(62.0)
Shareholders' funds	**1,123.9**	1,154.6
IFRS Basis		
Life business – shareholder profit	**24.2**	32.1
Unit trust business	**6.7**	8.2
Other	**(10.9)**	(7.5)
Profit before shareholder tax*	**20.0**	32.8
Profit/(loss) before tax**	**33.0**	(52.2)
Shareholders' funds	**517.0**	465.2

* Figures exclude policyholders' tax gross up
** Figures include policyholders' tax gross up

New Business		
New business (RP + 1/10th SP)	**£203.0 million**	£220.7 million
St. James's Place Partnership (number of Partners)	**1,389**	1,291
Funds under management	**£16.9 billion**	£17.2 billion

St. James's Place Wealth Management
New Business Figures for the Six Months to 30 June 2009
Total Long Term Savings

	Unaudited 3 Months to 30 June 2009			Unaudited 6 Months to 30 June 2009		
New Premiums	**2009 £'m**	**2008 £'m**	**Change %**	**2009 £'m**	**2008 £'m**	**Change %**
New Regular Premiums						
Pensions	21.8	26.9	(19%)	40.2	45.2	(11%)
Protection	4.6	4.9	(6%)	8.9	9.4	(5%)
	26.4	**31.8**	**(17%)**	**49.1**	**54.6**	**(10%)**
New Single Premiums						
Investment	310.3	382.4	(19%)	580.6	731.6	(21%)
Pensions	269.7	269.4	0%	549.8	521.2	5%
	580.0	**651.8**	**(11%)**	**1,130.4**	**1,252.8**	**(10%)**
Unit Trust Sales (including PEPs and ISAs)	**247.6**	**250.1**	**(1%)**	**408.3**	**408.3**	**0%**

	Unaudited 3 Months to 30 June 2009			Unaudited 6 Months to 30 June 2009		
New Business (RP +1/10th SP)	**2009 £'m**	**2008 £'m**	**Change %**	**2009 £'m**	**2008 £'m**	**Change %**
Investment	55.8	63.3	(12%)	98.9	114.0	(13%)
Pensions	48.8	53.8	(9%)	95.2	97.3	(2%)
Protection	4.6	4.9	(6%)	8.9	9.4	(5%)
Total	**109.2**	**122.0**	**(10%)**	**203.0**	**220.7**	**(8%)**

St. James's Place Wealth Management
New Business Figures for the Six Months to 30 June 2009
Manufactured Long Term Savings

	Unaudited 3 Months to 30 June 2009			Unaudited 6 Months to 30 June 2009		
New Premiums	**2009 £'m**	**2008 £'m**	**Change %**	**2009 £'m**	**2008 £'m**	**Change %**
New Regular Premiums						
Pensions	18.3	15.7	17%	32.3	28.8	12%
Protection	1.1	1.9	(42%)	2.2	3.7	(41%)
	19.4	**17.6**	**10%**	**34.5**	**32.5**	**6%**
New Single Premiums						
Investment	305.5	349.9	(13%)	574.6	658.4	(13%)
Pensions	237.0	238.8	(1%)	489.3	466.4	5%
	542.5	**588.7**	**(8%)**	**1,063.9**	**1,124.8**	**(5%)**
Unit Trust Sales (including PEPs and ISAs)	**247.6**	**250.1**	**(1%)**	**408.3**	**408.3**	**0%**

	Unaudited 3 Months to 30 June 2009			Unaudited 6 Months to 30 June 2009		
New Business (RP +1/10th SP)	**2009 £'m**	**2008 £'m**	**Change %**	**2009 £'m**	**2008 £'m**	**Change %**
Investment	55.3	60.0	(8%)	98.3	106.7	(8%)
Pensions	42.0	39.5	6%	81.2	75.4	8%
Protection	1.1	1.9	(42%)	2.2	3.7	(41%)
Total	**98.4**	**101.4**	**(3%)**	**181.7**	**185.8**	**(2%)**

% of total of new business	**90%**	**83%**		**90%**	**84%**	

St. James's Place Wealth Management
New Business Figures for the Six Months to 30 June 2009
Non Manufactured Long Term Savings

Notes

1. Investment premiums of £6.0 million (2008: £73.2 million), amounting to £0.6 million (2008: £7.3 million) on an APE basis.

2. Pension single premiums of £60.5 million (2008: £54.8 million) and regular premiums of £7.9 million (2008: £16.4 million), amounting to £14.0 million (2008: £21.9 million) on an APE basis.

3. Protection business of £6.7 million regular premiums (2008: £5.7 million).

4. Total new business, on an APE basis, of £21.3 million (2008: £34.9 million).

Interim Statement

Interim Management Report
Interim Statement

2009 is shaping up to be another challenging year, but despite this our business has again demonstrated its resilience in the first half of the year. This is evidenced by the continued exceptionally strong retention of existing clients' funds and a 25% increase in net inflow of funds under management.

New Business

Whilst total new business for the six months, on the annual premium equivalent basis, was down 8%, our own manufactured business was down only 2%.

We are pleased that the proportion of business represented by our own manufactured products was 90% for the six months and this significantly exceeded our stated internal target of 80%.

New single investment and pension business once again exceeded £1.5 billion and we continue to retain over 95% of existing clients' funds during the first half of 2009. The combination of these two factors has resulted in a net fund inflow of £1 billion, a 25% increase over the same period last year.

Financial Performance

As usual our results have been prepared on both the IFRS (International Financial Reporting Standards) basis and on EEV (European Embedded Value) basis, which we continue to believe provides the most meaningful measure of the Group's operating performance.

On the IFRS basis the operating profit before shareholder tax was £20.0 million compared with £32.8 million for the prior year.

On the EEV basis the pre-tax operating profit for the six months was £101.0 million compared with £114.2 million for the prior year.

As explained in the last Chairman's Statement, the fluctuations in the world stock markets in a particular year have an impact on the level of future annual management charges (and therefore profit) and the capitalisation of those future profits comes through the EEV result as an investment variance. The continued decline in world stock markets in the first six months of 2009 has therefore resulted in a negative investment variance of £63.2 million. This compares to a negative investment variance in the first half of 2008 of £175.7 million.

Dividend

Given the continued challenging and uncertain economic climate, the Board has decided to maintain the dividend at 1.84 pence per share. Once again, shareholders will be offered the alternative of a scrip dividend.

The dividend will be paid on 16 September 2009 to shareholders on the register at the close of business on 7 August 2009.

The level of the final dividend will depend upon our full year performance and how the economic environment and stock markets progress throughout the remainder of the year and the outlook for 2010.

The St. James's Place Partnership

We continue to attract high quality advisers to the Partnership and at the half year the size of the Partnership stood at 1,389, growth of 3.7% since the start of the year and 7.6% over the last twelve months.

The progress on our 'Academy' initiative, where we aim to 'grow our own' advisers to supplement our recruitment activity, remains encouraging. There are currently 43 people in the Academy (the Partnership numbers do not reflect these individuals) and we are planning a further intake later in the year.

The market place for good advisers remains very active and we are confident we will achieve a fourth consecutive year of strong growth.

Investment Management

The investment markets in the first six months of 2009 have continued to be volatile and uncertain. The FTSE 100 for example started the year positively initially rising some 5% in the first few days of trading but then falling some 24% from this peak to a low on 5 March before recovering by the end of the six month period to be just some 4% down. Against this backdrop our funds have performed solidly.

We continue to evolve our range of funds and fund managers and with effect from 1 September we are making some changes to our existing range.

John Wood of JO Hambro Capital Management, based in the UK, and Peg McGetrick of Liberty Square Asset Management, based in Boston, will manage the UK and General Unit Trust whilst Stuart Mitchell of SW Mitchell Capital, based in London, and Kenneth Broekaert of Burgundy Asset Management, based in Toronto, will manage our Greater European Unit Trust.

The addition of these managers, together with the launch of our Investment Grade Corporate Bond Fund earlier this year, further increases the range of managers available to our clients.

Looking forward we are planning further expansion to complement our existing fund range both in terms of the number of managers and the types of funds. We expect these new funds to be available in 2010.

Funds under management at 30 June were £16.9 billion.

The Budget

The Chancellor's budget statement announced some changes to ISAs and pension tax relief for those who have earnings of £150,000 or more. We believe that overall these measures will be broadly neutral for our business.

Retail Distribution Review

The Financial Services Authority has recently published some proposed regulatory changes following its Retail Distribution Review. Published in the form of a 'Consultation Paper', their proposals cover three main areas.

Status disclosure – clarifying whether an adviser is independent or not. *Professional standards* – raising the standards of advice offered by all advisers and *Adviser remuneration* – preventing Product Providers (life companies) from paying commission to advisers. Instead advisers will need to agree remuneration levels with clients directly. The FSA recognises that such an extension to integrated firms (such as St. James's Place who offer their own products via their own distribution) would not be easy. We will engage with them and other industry members on this aspect as the consultation continues.

External Recognition

In April we were delighted to be informed that once again St. James's Place had been named **Best Wealth Manager** – by the readers of Investors Chronicle / FT for the second consecutive year the awards have been run. In addition, St. James's Place was also the winner of the award for **Best Wealth Manager for Investments** and **Best Wealth Manager for IHT and Succession Planning**. It is very pleasing to continue to receive external recognition for what we do and is a credit to the whole of our community.

Partners and Staff

Despite the difficult external economic environment, the spirit, enthusiasm, commitment and dedication of the Partnership, our employees and the staff in our administration centres remain first rate.

On behalf of the Board and shareholders we would like to thank everyone connected with St. James's Place for their contribution in the first half of the year.

Outlook

In the short term we continue to see a difficult economic climate for all wealth management businesses.

However, in the first six months our business has again demonstrated its resilience, evidenced by our clients investing £1.5 billion and the continued exceptionally strong retention of existing clients' funds. These factors gave rise to a 25% increase in the net inflow of funds under management.

Looking to the longer term, the size of the Partnership has increased by 20% since the beginning of 2007, which puts us in a very strong position to resume growth in our new business once market conditions improve, in line with our longer term growth target of 15-20% per annum.

Mike Wilson	David Bellamy
Chairman	Chief Executive

28 July 2009

Financial Commentary

Interim Management Report
Financial Commentary

The first six months of 2009 have seen a continuation of volatile and falling stock markets and weak economic environment experienced during 2008. Against this backdrop St. James's Place has once again demonstrated its resilience.

Manufactured new business was just 2% lower than last year and we maintained a tight control on expenses. Single premium new business held up well which together with the continued strong retention of existing business gave rise to a net inflow of funds of £1 billion, higher than net inflow of £800 million in the first six months of last year.

The solvency position of the Group remains strong.

This financial commentary is presented in four sections covering the IFRS result, the EEV result, cash flow and capital plus a section covering other matters of interest to shareholders.

Section 1: International Financial Reporting Standards (IFRS)

IFRS Result

The IFRS result is shown on pages 41 to 54.

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

	6 Months Ended 30 June 2009 £' Million	6 Months Ended 30 June 2008 £' Million	12 Months Ended 31 December 2008 £' Million
Life business	**24.2**	32.1	83.2
Unit trust business	**6.7**	8.2	18.1
Other	**(10.9)**	(7.5)	(20.6)
Profit before shareholder tax	**20.0**	32.8	80.7
Policyholder tax	**13.0**	(85.0)	(112.1)
Total pre-tax profit/(loss)	**33.0**	(52.2)	(31.4)
Policyholder tax	**(13.0)**	85.0	112.1
Shareholder tax	**(4.0)**	(10.6)	(13.6)
Profit after tax	**16.0**	22.2	67.1

Life Business

The life business pre-tax profit for the six months at £24.2 million was lower than the £32.1 million for the same period last year.

The principal contributors to the fall in profit are lower income from funds under management following the fall in the stock markets and lower interest earnings on the free assets following the reduction in bank base rate.

Unit Trust Business

The unit trust profit for the six months at £6.7 million was lower than the £8.2 million for the same period last year, also due to the lower income from both funds under management and cash holdings.

Other

Other operations contributed a loss for the six months of £10.9 million compared with a loss of £7.5 million for the same period last year. Included within this figure is the cost of expensing share options at £5.2 million for the current period (2008: £9.0 million). After allowing for the share option cost, the larger loss in 2009 is due in part to the lower interest earnings on the cash holdings together with lower fees from the sale of third party products – as an example we received £1.0 million less in net mortgage income during the first half of 2009.

Profit Before Shareholder Tax

The total profit before shareholder tax for the period was £20.0 million compared with £32.8 million.

Policyholder Tax

The policyholder tax charge reflects the movement in the tax position of the policyholder funds. In the first six months of 2009 the policyholder funds suffered a tax charge of £13.0 million. In the corresponding period last year there was a tax credit in the policyholder funds of £85.0 million which reflected the reduction in provisions against unrealised capital gains within the funds. As the unrealised capital gains reduced due to the stock markets fall the provision also reduced.

Taking account of the policyholder tax the pre-tax profit for the first six months of the year was £33.0 million compared with a pre-tax loss of £52.2 million for the same period of 2008.

Analysis of Constituent Parts of the IFRS Post Tax Profit

The tables and commentary below, based on the cash flow analysis set out on page 24, provides an analysis of the constituent parts of the IFRS post tax profit for the reporting periods.

6 Months Ended 30 June 2009	**Note**	**In Force £' Million**	**New Business £' Million**	**Total £' Million**
Net annual management fee	1	53.6	2.8	56.4
Unwind of surrender penalties	1	(19.6)	(0.8)	(20.4)
DIR amortisation	2	30.6	0.9	31.5
DAC amortisation	3	(22.9)	(0.9)	(23.8)
PVIF amortisation	4	(1.3)	-	(1.3)
New business margin	1	-	(5.5)	(5.5)
DIR on new business	2	-	(36.3)	(36.3)
DAC on new business	3	-	46.0	46.0
Expenses	1	(3.5)	(31.8)	(35.3)
Investment income	1	2.0	-	2.0
Miscellaneous	1	3.4	-	3.4
Share options	5	(5.2)	-	(5.2)
IFRS deferred tax impacts	6	1.9	-	1.9
Other IFRS	7	2.6	-	2.6
IFRS profit (post-tax)		**41.6**	**(25.6)**	**16.0**
Shareholder tax (Effective rate 20%)				4.0
IFRS operating profit				**20.0**

6 Months Ended 30 June 2008	Note	In Force £' Million	New Business £' Million	Total £' Million
Net annual management fee	1	63.1	3.3	66.4
Unwind of surrender penalties	1	(26.2)	(1.1)	(27.3)
DIR amortisation	2	28.8	2.2	31.0
DAC amortisation	3	(20.7)	(2.2)	(22.9)
PVIF amortisation	4	(1.2)	-	(1.2)
New business margin	1	-	(6.5)	(6.5)
DIR on new business	2	-	(42.3)	(42.3)
DAC on new business	3	-	49.1	49.1
Expenses	1	(3.6)	(32.1)	(35.7)
Investment income	1	4.9		4.9
Miscellaneous	1	10.4		10.4
Share options	5	(9.0)		(9.0)
IFRS deferred tax impacts	6	2.7		2.7
Other IFRS	7	2.6		2.6
IFRS profit (post-tax)		**51.8**	**(29.6)**	**22.2**
Shareholder tax (Effective rate 32%)				10.6
IFRS operating profit				**32.8**

12 Months Ended 31 December 2008	Note	In Force £' Million	New Business £' Million	Total £' Million
Net annual management fee	1	111.2	11.0	122.2
Unwind of surrender penalties	1	(41.1)	(3.3)	(44.4)
DIR amortisation	2	57.6	4.4	62.0
DAC amortisation	3	(41.4)	(4.4)	(45.8)
PVIF amortisation	4	(2.4)		(2.4)
New business margin	1	-	(10.0)	(10.0)
DIR on new business	2	-	(77.4)	(77.4)
DAC on new business	3	-	100.0	100.0
Expenses	1	(7.2)	(65.0)	(72.2)
Investment income	1	10.1	-	10.1
Miscellaneous	1	18.4	-	18.4
Share options	5	(14.9)	-	(14.9)
IFRS deferred tax impacts	6	16.5	-	16.5
Other IFRS	7	5.0	-	5.0
IFRS profit (post-tax)		**111.8**	**(44.7)**	**67.1**
Shareholder tax (Effective rate 16.9%)				13.6
IFRS operating profit				**80.7**

The post-tax IFRS profit arising from the in-force business in the six months decreased from £51.8 million to £41.6 million, principally reflecting the lower stock markets and investment income.

The loss associated with acquiring new business during the six months was £25.6 million (2008: £29.6 million) and should be viewed as an investment for future profits. These profits will arise as net annual management fees less the future amortisation of the associated DAC and DIR in subsequent years.

Notes

1. These figures are explained in the analysis of the post-tax cash flows 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 for the current period was £30.6 million (2008: £28.8 million). The release in a particular year will depend upon the value of DIR at the start of the year and the remaining life of the policies to which the DIR relates or the remaining surrender penalty period. The expected release for the full year is £64.4 million.

   (b) The deferral of the initial profit associated with new business sales in the period. In the first six months of 2009 the deferred profit reduced the IFRS result by £36.3 million (2008: £42.3 million). The deferral of profit in any particular year will be dependent upon the level of new business.
3. DAC: Specific new business acquisition expenses are required to be deferred in the year they arise and then amortised in future years over the life of the policies to which the costs relate. This treatment of these acquisition expenses gives rise to two adjustments to arrive at the IFRS result.

   (a) The amortisation of the opening DAC, which for the current period was a charge of £22.9 million (2008: £20.7 million). The charge in a particular period will depend upon the value of the DAC at the start of the year and the remaining life of the policies to which the DAC relates. The expected amortisation charge for the full year is £49.2 million.

   (b) The deferral of the specific acquisition costs incurred in the current period. In the first six months of 2009 this deferral increased IFRS profits by £46.0 million (2008: £49.1 million). The deferral of expenses in any particular year will be dependent upon the level of the acquisition costs which themselves will be determined by the level of new business.
4. The IFRS balance sheet includes an asset representing purchased value of in-force. This asset is amortised over the remaining life of the policies associated with this asset. The amortisation charge for the first six months of 2009 was £1.3 million (2008: £1.2 million). The charge for the full year is expected to be £2.6 million.
5. Share options: this figure is the notional cost that is associated with the various share option schemes.
6. IFRS deferred tax: under IFRS a deferred tax asset is established for future benefits, not recognised in the cash result, that are expected to be derived. The prior full year figure includes an element of one-off impacts. In normal circumstances the annual impact is small.
7. Other IFRS: this reflects a number of other adjustments from the cash result. There will be a small impact, either positive or negative, in future years.
8. The effective shareholder tax rate: this reflects the weighting of IFRS profit between UK Life insurance business (with a marginal tax rate of 8%), International business (taxed at 12.5%) and Pensions and Unit Trust business (taxed at 28%).

Analysis of IFRS Assets and Net Assets per Share

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

	30 June 2009 £' Million	30 June 2008 £' Million	31 December 2008 £' Million
Purchased value of in-force*	**40.3**	42.8	41.6
Deferred acquisition costs*	**439.9**	387.4	417.7
Deferred income reserve*	**(310.2)**	(299.2)	(305.4)
Other IFRS net assets	**98.4**	82.4	94.1
Solvency assets	**248.6**	251.8	260.0
Total IFRS net assets	**517.0**	465.2	508.0

* net of deferred tax

	30 June 2009 Pence	30 June 2008 Pence	31 December 2008 Pence
Net asset value per share	**107.8**	97.1	105.9

Section 2: European Embedded Value (EEV)

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

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

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

EEV Result

The table below summarises the pre-tax profit of the combined business and the detailed result is shown on pages 32 to 39.

	6 Months Ended 30 June 2009 £' Million	6 Months Ended 30 June 2008 £' Million	12 Months Ended 31 December 2008 £' Million
Life business	**83.8**	91.8	174.1
Unit trust business	**28.1**	29.9	50.8
Other	**(10.9)**	(7.5)	(20.6)
Operating profit	**101.0**	114.2	204.3
Investment return	**(63.2)**	(175.7)	(320.6)
Economic assumption changes	**(10.4)**	(0.5)	0.4
Total pre-tax result	**27.4**	(62.0)	(115.9)
Taxation	**(10.8)**	12.8	28.5
Post-tax result	**16.6**	(49.2)	(87.4)

Operating profit has decreased from £114.2 million to £101.0 million. The movement in the profit for each business is noted in the following commentary.

Life Business

The life business operating profit has decreased from £91.8 million to £83.8 million and a full analysis of the result is shown on page 36.

Within this result **new business profit** for the six months at £43.6 million (2008: £46.4 million) was marginally lower reflecting changes in business mix.

The **unwind of the discount rate** for the six months was £30.7 million (2008: £40.4 million) some £10.0 million below that of the same period last year.

This principally reflects the lower opening value of in-force at the start of 2009 compared with the prior year. The opening year VIF for 2009 at £702.2 million compares with £746.2 million at the start of 2008, the lower balance reflecting the falls in the world stock markets experienced in 2008.

Interest earnings for the year at £2.1 million (2008: £4.0 million) were £1.9 million below the prior year as the interest rate we earn on our free assets reduced in line with the reduction in UK bank base rate.

We had a positive **experience variance** of £5.8 million during the six months compared with a positive £1.0 million for the first six months of 2008. A key contributor to this positive variance was continuing strong retention of funds under management.

Unit Trust Business

The unit trust operating profit was £28.1 million (2008: £29.9 million) and a full analysis of the result is shown on page 37.

Within this result **new business profit** at £17.7 million (2008: £18.9 million) was lower than the prior year. Although new business volumes were at a similar level to last year we have sold more corporate bond and cash unit trust business which has a slightly lower initial margin.

The **unwind of the discount rate** for the period at £6.9 million was £4.1 million lower than the £11.0 million recorded for the first six months of 2008. As noted for the life business above this fall reflects the lower respective value of in-force at the start of each of the reporting periods.

There was a positive experience of £3.2 million (2008: Nil) which is accounted for by a number of small positive items.

Other

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

Investment Return

Since the start of 2009 the world stock markets have continued to fall, for example the FTSE 100 was down some 4% and the S&P 500 was down some 10% (in sterling terms).

As a consequence of these continued falls in the world stock markets, the actual investment return for the period was around 6% below the assumed rate of growth of 2%. This lower than assumed investment return has resulted in a negative investment variance of £63.2 million (2008: negative variance of £175.7 million).

As I have previously commented, shareholders will recall that the investment variance reflects the impact of the stock market at the end of a period on the expected future cash flows. When the stock markets recover this negative investment variance will reverse.

Economic Assumption Changes

The £10.4 million economic basis change in the six month period principally reflects an increase in market expectation of future inflation. Since year end the rate of inflation implied by 10yr index linked gilts has increased from 1.7% to 2.7%. The resulting increase in the weighting given to future inflation related expenses has resulted in a reduction in EEV. In order to assist with understanding the impact of inflation movements an additional sensitivity to a 1% change in inflation has been provided in the sensitivity table on page 38.

The total pre-tax result for the six months was a profit of £27.4 million compared with a loss for the corresponding period last year of £62.0 million.

New Business Margin

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

APE is calculated as the sum of regular premiums plus 1/10th 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 calculated both as a % of APE and PVNBP.

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
Life business			
New business contribution (£'m)	**43.6**	46.4	93.0
APE (£'m)	**162.2**	179.9	350.5
Margin (%)	**26.9**	25.8	26.5
PVNBP (£'m)	**1,238.2**	1,245.1	2,520.4
Margin (%)	**3.5**	3.7	3.7
Unit trust business			
New business contribution (£'m)	**17.7**	18.9	30.5
APE (£'m)	**40.8**	40.8	68.5
New business margin (%)	**43.3**	46.3	44.6
PVNBP (£'m)	**408.3**	408.3	685.0
Margin (%)	**4.3**	4.6	4.5
Total business			
New business contribution (£'m)*	**61.3**	65.3	123.5
APE (£'m)	**203.0**	220.7	419.0
New business margin (%)	**30.2**	29.6	29.5
PVNBP (£'m)	**1,646.5**	1,653.4	3,205.3
Margin (%)	**3.7**	3.9	3.9

* New business contribution is calculated as the gross margin of £121.8 million (2008: £129.3 million) from new business sales less the direct expenses of £60.5 million (2008: £64.0 million), as can be seen in the expenses table in Section 4.

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

Life Business Margin

The new business margin on a PVNBP basis, which excludes the non-manufactured business, fell from 3.7% to 3.5%.

The fall in the PVNBP margin reflects the lower manufactured business sales and expenses together with the change in business mix, with pensions representing a larger proportion of the total new business.

The new business margin on the APE basis, which includes the non-manufactured business, increased from 25.8% last year to 26.9% in the first six months of the current year. In this case the margin reflects not only the factors noted above but also the significant higher proportion of manufactured business in the current year – 90% compared with 84% last year.

Unit Trust Margin

The new business margin on both a PVNBP and APE basis fell in the first six months of 2009 compared with last year. This fall reflects the higher proportion of corporate bond and cash unit trust sales, which have a slightly lower margin.

Analysis of the Embedded Value and Net Asset per Share

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

	30 June 2009 £' Million	30 June 2008 £' Million	31 December 2008 £' Million
Value of in-force			
Life	**718.3**	727.2	702.2
Unit trust	**157.0**	175.6	152.1
Solvency assets	**248.6**	251.8	260.0
Total embedded value	**1,123.9**	1,154.6	1,114.3

	30 June 2009 Pence	30 June 2008 Pence	31 December 2008 Pence
Net asset value per share	**234.3**	241.1	232.4

Market Consistent Embedded Value (MCEV)

In May 2009 the European Insurance Chief Financial Officers Forum published a press release recognising that the "current financial crisis has revealed significant challenges for MCEV". The press release also announced that in light of these developments the mandatory date of MCEV principles reporting was being deferred from 2009 to 2011.

Given these developments we no longer plan to adopt MCEV in the current year and will continue to monitor developments.

Section 3: Cash Flow and Capital

Noted below are a number of issues regarding cash flow and the capital position.

Cash Flow

This section provides the now familiar additional disclosure on the underlying cash flow of the Group analysed between that arising from the opening in-force business and the cash flow arising from new business.

To arrive at the underlying cash flow of the business it is first necessary to adjust the post-tax IFRS profits for the 'non-cash' items.

The table below sets out these adjustments:

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
Post-tax IFRS result	**16.0**	22.2	67.1
Adjustments			
Movement in deferred acquisition costs	**(22.2)**	(26.2)	(54.2)
Movement in deferred income	**4.8**	11.3	15.4
Amortisation of purchased VIF	**1.3**	1.2	2.4
Share option expense	**5.2**	9.0	14.9
IFRS deferred tax impacts	**(1.9)**	(2.7)	(16.5)
Other	**(2.6)**	(2.6)	(5.0)
Adjusted post-tax cash flow	**0.6**	12.2	24.1

Taking account of these non-cash adjustments the Group generated positive cash flow of £0.6 million during the first six months (2008: £12.2 million). The following table shows that the cash emerging from the in-force book of the business in the first six months was £35.9 million. The loss of £35.3 million arising on new business in the period should be seen as an investment by the Group to generate future positive cash flows. As noted in Section 2, the expected profit from the new business in the first six months (i.e. the return on this investment) was a pre-tax profit of £61.3 million and a post-tax profit of £45.3 million.

6 Months Ended 30 June 2009	Note	**Arising from business in-force at 1 January 2009 £' Million**	**Arising from new business in period £' Million**	**Total £' Million**
Net annual management fee	1	53.6	2.8	56.4
Unwind of surrender penalties	2	(19.6)	(0.8)	(20.4)
Loss arising from new business	3	-	(5.5)	(5.5)
Establishment expenses	4	(3.5)	(31.8)	(35.3)
Investment income	5	2.0	-	2.0
Miscellaneous	6	3.4	-	3.4
Post-tax cash flow		35.9	(35.3)	0.6

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

12 Months Ended 31 December 2008	Note	Arising from business in-force at 1 January 2008 £' Million	Arising from new business in period £' Million	Total £' Million
Net annual management fee	1	111.2	11.0	122.2
Unwind of surrender penalties	2	(41.1)	(3.3)	(44.4)
Margin arising from new business	3	-	(10.0)	(10.0)
Establishment expenses	4	(7.2)	(65.0)	(72.2)
Investment income	5	10.1	-	10.1
Miscellaneous	6	18.4	-	18.4
Post-tax cash flow		91.4	(67.3)	24.1

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

Notes

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

   The level of net annual management fee was some 15% lower than the same period of 2008. This should be seen in the context of the stock markets in the first six months of 2009 being around 30% lower than the first six months of the prior year.

   The net annual management fee has not fallen by the same extent as the markets due to the fees received on the net inflow of funds under management on the prior years' new business, which has offset some of the impact of the stock market fall.

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

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

   Similar to the net annual management fee, unwind of surrender policies has also fallen due to the fall in the stock markets.

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

   The negative margin on new business represents the upfront net cash outflow from a certain category of pension new business where we are unable to apply surrender penalties. The lower figure in the current six months reflects the lower level of this category of pension business.

4. Establishment expenses: these are the post tax expenses of running the Group's infrastructure. The establishment expenses were some 2% lower than the first six months of 2008.

5. Investment income: 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 fall in investment income reflects the lower prevailing interest rates we obtain on the free assets.

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

   Miscellaneous income for the period was £3.4 million compared with £10.4 million for the first six months of 2008. The major contributors to this fall are set out on the following page.

- unlike the first six months of 2008, we have been unable to fully group relieve taxable losses around the Group, driven by the fall in the stock markets, which has reduced cash flow by some £4.0 million. There was a resultant increase in deferred tax assets which will be monetarised in the future.
- an increase in actuarial reserves of some £3.0 million resulting from the stock market falls and economic basis changes. The majority of these additional reserves will reverse when the stock markets recover.
- lower income from third party product sales of some £1.0 million.

Capital Position

The capital position of the Group, together with a categorisation of the net assets, is shown in the table below.

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

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

	Life	Other Regulated	Other	Total
	£' Million	£' Million	£' Million	£' Million
Solvency position				
Solvency net assets	121.8	19.9	106.9	248.6
Solvency requirement	42.8	13.3		
Solvency ratio	284%	149%		
Analysis of net assets				
UK Govt. gilts	19.1			19.1
Other Govt. backed debt	25.9			25.9
AAA rated money market funds	110.6	18.6	20.3	149.5
Bank balances	25.3	7.8	12.6	45.7
Fixed assets			10.1	10.1
Actuarial reserves	(30.8)			(30.8)
Other assets/liabilities	(28.3)	(6.5)	63.9	29.1
	121.8	19.9	106.9	248.6
Adjustments to IFRS basis				
Purchased VIF	40.3			40.3
DAC and DIR	138.8	(9.1)		129.7
Other	97.8	0.6		98.4
Total net assets	398.7	11.4	106.9	517.0

Share Options Maturity

In addition to the strong solvency, the Company has share options outstanding under the various share option schemes at 30 June 2009, which amount to £75.0 million (30 June 2008: £75.9 million). As can be seen from the table below the share options, if exercised, will provide a significant source, up to £75.0 million, of future capital for the Company. It must be recognised that at present a number of these options are 'underwater' and would not therefore be exercised.

Earliest date of exercise	Average exercise price £'s	Number of share options outstanding Million	Potential Proceeds £' Million
Prior to 1 July 2009	1.75	15.1	26.4
Jul – Dec 2009	2.75	16.0	44.1
Jan – Jun 2010	2.58	0.5	1.4
Jul – Dec 2010	2.62	0.2	0.4
Jan – Jun 2011	2.14	0.1	0.3
July – Dec 2011	-	-	-
Jan – Jun 2012	1.50	1.6	2.4
		33.5	75.0

Of those options with an earliest date of exercise prior to 1 July 2009, 0.4 million options require further performance conditions to be met before vesting unconditionally.

Section 4: Other Matters

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

Expenses

The table on the following page provides a breakdown of the expenditure for the combined financial services activities.

	Note	**6 Months Ended 30 June 2009 £' Million**	6 Months Ended 30 June 2008 £' Million	12 Months Ended 31 December 2008 £' Million
Paid from policy margins				
Partner remuneration	1	**80.3**	90.2	176.9
Investment expenses	1	**33.3**	30.7	59.6
Third party administration	1	**14.0**	13.4	27.8
		127.6	134.3	264.3
Direct expenses				
Other new business related costs	2	**18.3**	22.0	42.2
Establishment costs	3	**47.7**	48.4	97.6
Contribution from third party product sales	4	**(5.5)**	(6.4)	(13.1)
		60.5	64.0	126.7
		188.1	198.3	391.0

For 2009 we set a budget for a zero increase in establishment costs and I am pleased to report that at the half year the expenses were down 2%. We will continue to maintain pressure on expenses whilst continuing to invest in the business and anticipate that full year establishment expenses will be marginally below the level last year.

Total direct expenses are some 5% lower than the corresponding period last year.

Notes

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

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

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

4. Contribution from third party product sales reflects the net income received from wealth management sales of £1.7 million (2008: £2.6 million), sales of stakeholder products of £0.5 million (2008: £0.4 million) and sales through the Protection Panel of £3.3 million (2008: £3.4 million).

Movement in Funds Under Management

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

As can be seen from the table we have not experienced any significant outflows and we continue to retain 95-96% of existing clients' funds during the first half of 2009.

	***6 Months Ended 30 June 2009**	*6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Billion	£' Billion	£' Billion
Opening funds under management	**16.3**	18.2	18.2
New money invested	**1.5**	1.5	3.0
Investment return	**(0.4)**	(1.8)	(3.6)
	17.4	17.9	17.6
Regular withdrawals/maturities	**(0.2)**	(0.2)	(0.4)
Surrenders/part surrenders	**(0.3)**	(0.5)	(0.9)
Closing funds under management	**16.9**	17.2	16.3
Implied surrender rate as % of average funds under management	**4.1%**	5.0%	5.2%

* Annualised figures

Shareholders will be pleased to note that the strong retention of funds under management has continued into 2009 which, together with the level of new money invested, provides for net fund inflow of £1 billion, higher than the £0.8 billion for the same period last year. Noted below is an explanation of regular withdrawals, maturities and surrenders.

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

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

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

Taxation

The Finance Act will shortly be enacted and shareholders should be aware of two key developments which will impact on the future financial results of the Group.

Firstly as I indicated in the Financial Commentary which accompanied the 2008 results, dividends on overseas equities will no longer be subject to UK tax from 1 July 2009. In the long-term this is beneficial as the investment return of our funds will be higher and therefore so will our future annual management charges. However, there is also an impact on the UK life company's so-called I-E tax computation, as the income within the calculation will be reduced by the removal of the overseas dividends. This means that the UK life company will be more dependent upon capital gains within the investment funds to obtain tax relief on its expenses. Therefore in years where there are few or no capital gains we will not necessarily obtain relief for all of the expenses in that year, in which case they will be carried forward to future years until sufficient capital gains exist. This will cause a cash strain in the years where we experience few or no capital gains.

Secondly, we currently hold a deferred tax asset of £8.6 million representing unrelieved foreign withholding tax on prior period overseas dividends, which previously could be used to offset against future corporation tax of the UK life company. Unfortunately, as part of the Budget changes we may have to write off the deferred tax asset.

Principal Risks and Uncertainties

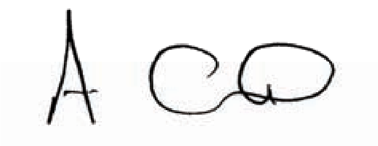
At the time of preparing this report, the principal risks and uncertainties facing the business have not changed materially from those set out in the 2008 Annual Report under the Risk and Risk Management section on pages 58 to 63 of the Annual Report.

Similar market conditions to those currently being experienced will continue to challenge the business both in terms of levels of new business and retention of existing funds under management.

Related Party Transactions

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

After reading my statement, I hope shareholders will agree with my opening remark that we continue to demonstrate resilience given the ongoing difficult economic and stock market conditions in the first half of 2009.



Andrew Croft
28 July 2009

European Embedded Value (EEV) Basis

European Embedded Value (EEV) Basis Consolidated Statement of Income

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

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
Life business	**83.8**	91.8	174.1
Unit trust business	**28.1**	29.9	50.8
Other	**(10.9)**	(7.5)	(20.6)
Operating profit	**101.0**	114.2	204.3
Investment return variances	**(63.2)**	(175.7)	(320.6)
Economic assumption changes	**(10.4)**	(0.5)	0.4
EEV profit/(loss) on ordinary activities before tax	**27.4**	(62.0)	(115.9)
Tax			
Life business	**(6.8)**	7.4	11.6
Unit trust business	**(4.1)**	6.4	13.2
Other	**0.1**	(1.0)	3.7
	(10.8)	12.8	28.5
EEV profit/(loss) on ordinary activities after tax	**16.6**	(49.2)	(87.4)
Dividends	**12.2**	12.1	20.8
	Pence	Pence	Pence
Basic earnings per share	**3.5**	(10.4)	(18.5)
Diluted earnings per share	**3.5**	(10.2)	(18.4)

European Embedded Value (EEV) Basis
Consolidated Statement of Changes in Equity

	6 Months Ended 30 June 2009 £' Million	6 Months Ended 30 June 2008 £' Million	12 Months Ended 31 December 2008 £' Million
Opening shareholders' equity on an EEV basis	**1,114.3**	1,203.3	1,203.3
Post-tax profit/(loss) for the period	**16.6**	(49.2)	(87.4)
Dividends	**(12.2)**	(12.1)	(20.8)
Issue of share capital	**0.3**	3.7	4.5
Consideration paid for own shares	**(0.3)**	(0.2)	(0.3)
P&L reserve credit in respect of share based payment charge	**5.2**	9.0	14.9
P&L reserve credit in respect of proceeds from exercise of share options of shares held in trust	**-**	0.1	0.1
Closing shareholders' equity on an EEV basis	**1,123.9**	1,154.6	1,114.3

European Embedded Value (EEV) Basis
Consolidated Statement of Financial Position

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
Assets			
Intangible assets			
Deferred acquisition costs	**595.8**	523.3	564.9
Value of long-term business in-force			
- long-term insurance	**490.2**	556.5	495.8
- unit trusts	**157.0**	175.6	152.1
	1,243.0	1,255.4	1,212.8
Property & equipment	**10.1**	9.9	12.2
Deferred tax assets	**147.7**	129.3	143.7
Investment property	**350.8**	604.9	410.6
Investments	**12,265.2**	11,937.9	11,440.3
Reinsurance assets	**28.8**	29.3	32.2
Insurance and investment contract receivables	**22.2**	20.5	14.9
Income tax assets	**10.5**	22.2	32.4
Other receivables	**266.6**	218.1	229.9
Cash & cash equivalents	**1,882.4**	2,089.4	2,253.5
Total assets	**16,227.3**	16,316.9	15,782.5
Liabilities			
Insurance contract liability provisions	**320.2**	374.3	338.4
Other provisions	**5.4**	5.1	12.9
Financial liabilities	**13,426.8**	13,730.7	13,244.2
Deferred tax liabilities	**160.9**	158.8	152.7
Insurance and investment contract payables	**27.0**	30.1	22.9
Deferred income	**379.5**	364.9	372.6
Income tax liabilities	**19.3**	28.9	27.6
Other payables	**137.6**	168.3	161.1
Net asset value attributable to unit holders	**626.7**	301.2	335.8
Total liabilities	**15,103.4**	15,162.3	14,668.2
Net assets	**1,123.9**	1,154.6	1,114.3
Shareholders' equity			
Share capital	**72.0**	71.8	71.9
Share premium	**86.5**	85.6	86.3
Other reserves	**965.4**	997.2	956.1
Total shareholders' equity	**1,123.9**	1,154.6	1,114.3
	Pence	Pence	Pence
Net assets per share	**234.3**	241.1	232.4

Notes to the EEV Basis

I. Basis of Preparation

The interim supplementary information on pages 32 to 39 shows the Group's results for the six months ended 30 June 2009 as measured on a European Embedded Value (EEV) basis with reduced disclosure, for interim reporting purposes, from that which would be required under the EEV Principles. The results of the life, pension and investment business, including unit trust business, undertaken by the Group are measured on a basis determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum, a group of chief financial officers from 19 major European insurers, as supplemented by the Additional Guidance on EEV disclosures in October 2005 (together "the EEV Principles"). The treatment of all other transactions and balances is unchanged from the statutory financial statements which are prepared on an IFRS basis. The objective of the interim supplementary information is to provide shareholders with more realistic information on the financial position and performance of the Group than that provided by the IFRS basis.

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

II. Methodology and Assumptions

The methodology used to derive the European Embedded Values at both June 2008 and June 2009 is unchanged from that used at the end of 2008 and set out in detail on pages 143 to 145 of the 2008 Report and Accounts.

Apart from the assumptions set out below, there have been no changes to assumptions from those used at the end of 2008 and set out in detail on pages 145 and 146 of the 2008 Report and Accounts.

Economic Assumptions

The principal economic assumptions used within the cash flows at 30 June 2009 are set out below.

	30 June 2009	30 June 2008	31 December 2008
Risk free rate	**3.8%**	5.4%	3.5%
Inflation rate	**2.7%**	4.0%	1.7%
Risk discount rate (net of tax)	**6.9%**	8.5%	6.6%
Future investment returns:			
Gilts	**3.8%**	5.4%	3.5%
Equities	**6.8%**	8.4%	6.5%
Unit-linked funds:			
- Capital growth	**2.4%**	4.5%	2.6%
- Dividend income	**3.8%**	3.3%	3.3%
- Total	**6.2%**	7.8%	5.9%
Expense inflation	**3.5%**	4.6%	2.7%
Indexation of capital gains	**1.0%**	2.9%	1.2%

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

The inflation rate is derived from the implicit inflation in the valuation of 10 year index-linked gilts. For expense inflation, the underlying inflation rate is increased to reflect higher increases in earnings related expenses. Normally the inflation rate is reduced by 10% to derive the indexation of capital gains for the proportion of the fund invested in equities, however, given the low level of capital growth projected in this valuation, we have instead set indexation to maintain the level as a proportion of the capital growth.

III. Components of Life and Unit Trust EEV Profit

Life business	**6 Months Ended 30 June 2009**	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
New business contribution	**43.6**	46.4	93.0
Profit from existing business			
Unwind of discount rate	**30.7**	40.4	63.4
Experience variances	**5.8**	1.0	13.7
Operating assumption changes	**1.6**	-	(0.9)
Investment income	**2.1**	4.0	4.9
Life operating profit before tax	**83.8**	91.8	174.1
Investment return variances	**(51.5)**	(123.1)	(223.0)
Economic assumption changes	**(8.7)**	(0.3)	0.9
Life profit/(loss) before tax	**23.6**	(31.6)	(48.0)
Attributed tax	**(6.8)**	7.4	11.6
Life profit/(loss) after tax	**16.8**	(24.2)	(36.4)

New business contribution after tax is £32.6 million (30 June 2008: £35.0 million).

Unit trust business	**6 Months Ended 30 June 2009**	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
New business contribution	**17.7**	18.9	30.5
Profit from existing business			
Unwind of discount rate	**6.9**	11.0	17.1
Experience variances	**3.2**	-	3.2
Operating assumption changes	**-**	-	-
Investment income	**0.3**	-	-
Unit trust operating profit before tax	**28.1**	29.9	50.8
Investment return variances	**(11.7)**	(52.6)	(97.6)
Economic assumption changes	**(1.7)**	(0.2)	(0.5)
Unit trust profit/(loss) before tax	**14.7**	(22.9)	(47.3)
Attributed tax	**(4.1)**	6.4	13.2
Unit trust profit/(loss) after tax	**10.6**	(16.5)	(34.1)

New business contribution after tax is £12.7 million (30 June 2008: £13.6 million).

Combined life and unit trust business	**6 Months Ended 30 June 2009**	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
New business contribution	**61.3**	65.3	123.5
Profit from existing business			
Unwind of discount rate	**37.6**	51.4	80.5
Experience variances	**9.0**	1.0	16.9
Operating assumption changes	**1.6**	-	(0.9)
Investment income	**2.4**	4.0	4.9
Operating profit before tax	**111.9**	121.7	224.9
Investment return variances	**(63.2)**	(175.7)	(320.6)
Economic assumption changes	**(10.4)**	(0.5)	0.4
Profit/(loss) before tax	**38.3**	(54.5)	(95.3)
Attributed tax	**(10.9)**	13.8	24.8
Profit/(loss) after tax	**27.4**	(40.7)	(70.5)

New business contribution after tax is £45.3 million (30 June 2008: £48.6 million).

IV. Sensitivities

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

		Change in new business contribution		Change in European Embedded Value
		Pre-tax	Post-tax	Post-tax
	Note	£' Million	£' Million	£' Million
Value at 30 June 2009		61.3	45.3	1,123.9
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(0.4)	(0.3)	(1.8)
10% reduction in withdrawal rates		7.6	5.6	50.9
10% reduction in expenses		1.5	1.1	17.0
10% reduction in market value of equity assets	2	-	-	(93.6)
5% reduction in mortality and morbidity	3	0.0	0.0	0.3
100bp increase in equity expected returns	4	-	-	-
100bp increase in assumed inflation	5	(0.9)	(0.7)	(7.9)

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. For the purposes of this 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%.
3. Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.
4. As a market consistent approach is used, equity expected returns only affect the derived discount rates and not the embedded value or contribution to profit from new business.
5. Assumed inflation is set by reference to 10 year index linked gilt yields.

	Change in new business contribution Pre-tax	Post-tax	Change in European Embedded Value Post-tax
	£' Million	**£' Million**	**£' Million**
100bp reduction in risk discount rate	10.6	7.8	71.2

Although not directly relevant under a market-consistent valuation where the risk discount rate is a derived disclosure only, this sensitivity shows the level of adjustment which would be required to reflect differing investor views of risk.

V. Reconciliation of IFRS and EEV Profit Before Tax and Net Assets

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
IFRS profit/(loss) before tax	**33.0**	(52.2)	(31.4)
Movement in life value of in-force	**(13.6)**	21.3	(19.1)
Movement in unit trust value of in-force	**8.0**	(31.1)	(65.4)
Total EEV profit/(loss) before tax	**27.4**	(62.0)	(115.9)

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
IFRS net assets	**517.0**	465.2	508.0
Less: acquired value of in-force	**(55.9)**	(59.3)	(57.7)
Add: deferred tax on acquired value of in-force	**15.6**	16.6	16.1
Add: life value of in-force	**490.2**	556.5	495.8
Add: unit trust value of in-force	**157.0**	175.6	152.1
EEV net assets	**1,123.9**	1,154.6	1,114.3

International Financial Reporting Standards (IFRS) Basis

International Financial Reporting Standards (IFRS) Basis Condensed Consolidated Statement of Comprehensive Income

	Note	6 Months Ended 30 June 2009 £' Million	6 Months Ended 30 June 2008 £' Million	12 Months Ended 31 December 2008 £' Million
Insurance premium revenue		**40.4**	44.1	93.8
Less premiums ceded to reinsurers		**(14.7)**	(15.9)	(33.9)
Net insurance premium revenue		**25.7**	28.2	59.9
Fee and commission income		**49.8**	50.2	102.1
Other investment return		**(226.7)**	(1,128.1)	(2,390.8)
Other operating income		**0.1**	1.0	6.6
Net revenue	3	**(151.1)**	(1,048.7)	(2,222.2)
Policy claims and benefits incurred				
Gross amount		**(33.2)**	(27.6)	(53.2)
Reinsurers' share		**11.9**	10.1	21.0
Net policyholder claims and benefits incurred		**(21.3)**	(17.5)	(32.2)
Change in insurance contract liabilities				
Gross amount		**18.1**	31.0	67.0
Reinsurers' share		**(3.4)**	(3.6)	(0.7)
Net change in insurance contract liabilities		**14.7**	27.4	66.3
Investment contract benefits		**371.8**	1,176.5	2,536.2
Fees, commission and other acquisition costs		**(124.4)**	(132.1)	(258.4)
Administration expenses		**(54.9)**	(56.1)	(117.7)
Other operating expenses		**(1.8)**	(1.7)	(3.4)
		(181.1)	(189.9)	(379.5)
Operating profit/(loss) and profit/(loss) before tax	3	**33.0**	(52.2)	(31.4)
Tax on policyholders' return	4	**(13.0)**	85.0	112.1
Tax on shareholders' return	4	**(4.0)**	(10.6)	(13.6)
Total tax (expense)/credit		**(17.0)**	74.4	98.5
Profit for the period	3	**16.0**	22.2	67.1
Other comprehensive income, net of tax		**-**	-	-
Total comprehensive income for the period		**16.0**	22.2	67.1
		Pence	Pence	Pence
Basic earnings per share	5	**3.4**	**4.7**	**14.2**
Diluted earnings per share	5	**3.3**	**4.6**	**14.1**

International Financial Reporting Standards (IFRS) Basis
Condensed Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Miscellaneous Reserves	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
At 31 December 2007	71.5	82.2	(18.2)	304.7	2.3	442.5
Total comprehensive income for the period				22.2		22.2
Dividends				(12.1)		(12.1)
Issue of share capital						
- Scrip dividend	0.1	1.9				2.0
- Exercise of options	0.2	1.5				1.7
Consideration paid for own shares			(0.2)			(0.2)
Own shares vesting charge			2.2	(2.2)		-
P&L reserve credit in respect of proceeds from exercise of share options of shares held in trust				0.1		0.1
P&L reserve credit in respect of share option charges				9.0		9.0
At 30 June 2008	71.8	85.6	(16.2)	321.7	2.3	465.2
At 31 December 2008	71.9	86.3	(13.0)	360.5	2.3	508.0
Total comprehensive income for the period				16.0		16.0
Dividends				(12.2)		(12.2)
Issue of share capital						
- Scrip dividend		0.1				0.1
- Exercise of options	0.1	0.1				0.2
Consideration paid for own shares			(0.3)			(0.3)
Own shares vesting charge			3.0	(3.0)		-
P&L reserve credit in respect of proceeds from exercise of share options of shares held in trust				-		-
P&L reserve credit in respect of share option charges				5.2		5.2
At 30 June 2009	**72.0**	**86.5**	**(10.3)**	**366.5**	**2.3**	**517.0**

International Financial Reporting Standards (IFRS) Basis
Condensed Consolidated Statement of Financial Position

	Note	**30 June 2009 £' Million**	30 June 2008 £' Million	31 December 2008 £' Million
Assets				
Intangible assets				
Deferred acquisition costs	8	**595.8**	523.3	564.9
Acquired value of in-force business		**55.9**	59.3	57.7
		651.7	582.6	622.6
Property & equipment		**10.1**	9.9	12.2
Deferred tax assets	9	**147.7**	129.3	143.7
Investment property		**350.8**	604.9	410.6
Investments				
Equities		**9,342.5**	9,950.5	9,190.5
Fixed income securities		**1,669.3**	813.9	1,009.9
Investment in Collective Investment Schemes		**1,225.3**	1,173.2	1,239.4
Currency forwards		**28.1**	0.3	0.5
Reinsurance assets		**28.8**	29.3	32.2
Insurance and investment contract receivables		**22.2**	20.5	14.9
Income tax assets		**10.5**	22.2	32.4
Other receivables		**266.6**	218.1	229.9
Cash & cash equivalents		**1,882.4**	2,089.4	2,253.5
Total assets	3	**15,636.0**	15,644.1	15,192.3
Liabilities				
Insurance contract liability provisions		**320.2**	374.3	338.4
Other provisions	10	**5.4**	5.1	12.9
Financial liabilities				
Investment contracts		**13,419.3**	13,719.7	13,109.8
Borrowings		**7.5**	10.5	7.8
Currency forwards		-	0.5	126.6
Deferred tax liabilities	11	**176.5**	175.4	168.8
Insurance and investment contract payables		**27.0**	30.1	22.9
Deferred income	12	**379.5**	364.9	372.6
Income tax liabilities		**19.3**	28.9	27.6
Other payables		**137.6**	168.3	161.1
Net asset value attributable to unit holders		**626.7**	301.2	335.8
Total liabilities		**15,119.0**	15,178.9	14,684.3
Net assets		**517.0**	465.2	508.0
Shareholders' equity				
Share capital	13	**72.0**	71.8	71.9
Share premium		**86.5**	85.6	86.3
Other reserves		**(8.0)**	(13.9)	(10.7)
Retained earnings		**366.5**	321.7	360.5
Total shareholders' equity		**517.0**	465.2	508.0
		Pence	**Pence**	**Pence**
Net assets per share		**107.8**	97.1	105.9

International Financial Reporting Standards (IFRS) Basis Condensed Consolidated Statement of Cash Flows

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
Cash flows from operating activities			
Profit/(loss) before tax for the period	**33.0**	(52.2)	(31.4)
Adjustments for:			
Depreciation	**2.0**	1.7	3.8
Amortisation of acquired value of in-force business	**1.8**	1.7	3.3
Fair value gains on non-operating investments	**-**	-	(0.1)
Share based payment charge	**5.2**	9.0	14.9
Changes in operating assets and liabilities			
Increase in deferred acquisition costs	**(30.9)**	(38.7)	(80.3)
Decrease in investment property	**59.8**	37.6	231.9
(Increase)/decrease in investments	**(824.9)**	662.0	1,159.6
Decrease in reassurance assets	**3.4**	3.6	0.7
(Increase)/decrease in insurance and investment contract receivables	**(7.3)**	(2.5)	3.1
Increase in other receivables	**(53.8)**	(61.7)	(88.5)
Decrease in insurance contract liability provisions	**(18.2)**	(31.1)	(67.0)
(Decrease)/increase in provisions	**(7.5)**	(0.2)	7.6
(Increase)/decrease in financial liabilities (excluding borrowings)	**264.4**	(421.9)	(1,012.9)
Increase in insurance and investment contract payables	**4.1**	8.3	1.1
Increase in deferred income	**6.9**	17.1	24.8
(Decrease)/increase in other payables	**(13.7)**	46.4	37.5
Increase in net assets attributable to unit holders	**290.9**	33.6	68.2
Cash generated from operations	**(284.8)**	212.7	276.3
Income taxes received/(paid)	**7.7**	(40.0)	(31.9)
Net cash (used in)/from operating activities	**(277.1)**	172.7	244.4
Cash flows from investing activities			
Acquisition of property & equipment	**(0.8)**	(1.3)	(5.9)
Proceeds from sale of plant & equipment	**1.1**	0.1	0.3
Net cash from/(used in) investing activities	**0.3**	(1.2)	(5.6)
Cash flows from financing activities			
Proceeds from the issue of share capital	**0.3**	3.7	4.5
Consideration paid for own shares	**(0.3)**	(0.2)	(0.3)
Proceeds from exercise of options over shares held in trust	**-**	0.1	0.1
Repayment of borrowings	**(0.3)**	(0.7)	(3.4)
Dividends paid	**(12.2)**	(12.1)	(20.8)
Net cash used in financing activities	**(12.5)**	(9.2)	(19.9)
Net (decrease)/increase in cash & cash equivalents	**(289.3)**	162.3	218.9
Cash & cash equivalents at 1 January	**2,253.5**	1,929.2	1,929.2
Effect of exchange rate fluctuations on cash level	**(81.8)**	(2.1)	105.4
Cash & cash equivalents	**1,882.4**	2,089.4	2,253.5

Notes to the IFRS Basis

1. Basis of preparation

This condensed set of consolidated half year financial statements for the six months ended 30 June 2009, which comprise the half year financial statements of St. James's Place plc (the "Company") and its subsidiaries (together referred to as the "Group"), has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU. They have been prepared on a going concern basis and should be read in conjunction with the full year 2008 Report & Accounts.

2. Significant accounting policies

As required by the Disclosure and Transparency Rules of the Financial Services Authority, this condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2008, which were prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU, except for the impact of the adoption of the Standards described below.

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
IFRS 8 is a disclosure Standard which has had no impact on the reported results or financial position of the Group. The operating segments reported in Note 3 have not changed following the adoption of IFRS 8.

IAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

IAS 23 (revised 2007) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
The revised Standard now prohibits the immediate expensing of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, the revised Standard has had no impact on the reported results or financial position of the Group.

Amendment to IFRS 2 Share-Based Payment (effective for annual period beginning on or after 1 January 2009)
The amendment clarifies the definition of vesting conditions and introduces the concept of non-vesting conditions. It also amends the accounting for cancellations and settlement by parties other than the Group. Where employees cease to save in an SAYE scheme, unless a new scheme has been entered into as a direct replacement, the cessation will be accounted for as an acceleration of vesting and will therefore result in an accelerated charge in the Group's financial statements. The impact of the amendment has been the recognition of an additional expense of £0.2 million during the first half of 2009.

Amendment to IAS 32 Puttable Instruments and Obligations Arising on Liquidation
(effective for annual periods beginning on or after 1 January 2009)
The amendment requires puttable financial instruments, and financial instruments which impose on the issuer an obligation on liquidation, to be classified as equity rather than liabilities if certain conditions are met. However, the amended Standard has had no impact on the reported results or financial position of the Group.

Improvements to IFRS issued in May 2008
The improvements include amendments across a number of Standards. None of the amendments have had a material impact on the Group's accounting policies.

IFRS 3 (revised 2008) Business Combinations
The revised Standard changes the scope, calculation of goodwill and introduces the option to value the non-controlling (minority) interest at fair value. However, the revised Standard has had no impact on the reported results or financial position of the Group.

3. Segment reporting

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 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. Due to the nature of the Group's internal reporting, there is considered to be no difference between the previous information reported under business and geographical segments and that now required under the new Standard. The Group's reportable segments under IFRS 8 are therefore as follows:

- Life (includes all long-term insurance business)
- Unit trusts
- Other

Net revenue	**6 Months Ended 30 June 2009**	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
Life business			
Net insurance premium income	**25.7**	28.2	59.9
Net movement on deferred income	**2.0**	(5.3)	(8.0)
Investment income – unit linked policyholders	**(264.4)**	(1,097.3)	(2,322.1)
Segment revenue	**(236.7)**	(1,074.4)	(2,270.2)
Unit trust business			
Fee income (excluding deferred income)	**38.2**	44.2	81.4
Net movement on deferred income	**(8.9)**	(11.8)	(16.8)
Segment revenue	**29.3**	32.4	64.6
Other business			
Commission income	**18.5**	23.1	45.4
Investment income – other shareholders	**1.5**	5.0	9.1
Investment income – other(i)	**36.2**	(35.8)	(77.7)
Other operating income	**0.1**	1.0	6.6
Segment revenue	**56.3**	(6.7)	(16.6)
Total net revenue	**(151.1)**	(1,048.7)	(2,222.2)

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

Segment Result	**6 Months Ended 30 June 2009**	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
Life business			
Shareholder	**24.2**	32.1	83.2
Policyholder tax gross up	**13.0**	(85.0)	(112.1)
Unit trust business	**6.7**	8.2	18.1
Other business	**(10.9)**	(7.5)	(20.6)
Total operating profit/(loss) and profit/(loss) before tax	**33.0**	(52.2)	(31.4)
Income taxes			
Policyholder tax	**(13.0)**	85.0	112.1
Shareholder tax	**(4.0)**	(10.6)	(13.6)
Profit after tax	**16.0**	22.2	67.1

Segment Assets

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
Life business	**14,543.2**	14,856.2	14,376.2
Unit trust business	**160.7**	201.4	169.2
Other business	**306.3**	289.0	294.8
Unallocated assets	**158.3**	151.5	176.1
Consolidation adjustments	**467.5**	146.0	176.0
Total assets	**15,636.0**	15,644.1	15,192.3

4. Income taxes

	6 Months Ended 30 June 2009 £' Million	6 Months Ended 30 June 2008 £' Million	12 Months Ended 31 December 2008 £' Million
Policyholder tax			
Overseas withholding tax	**10.7**	12.0	22.5
Deferred tax on eligible unrelieved foreign tax	**(0.2)**	-	(8.4)
Deferred tax on unrelieved expenses			
Current year credit	**-**	(1.4)	(2.8)
Deferred tax on unrealised gains in unit linked funds	**(0.4)**	(103.0)	(120.1)
UK corporation tax			
Current year charge	**3.5**	9.9	1.5
Prior year credit	**(0.6)**	(2.5)	(4.8)
Total policyholder tax charge/(credit) for the period	**13.0**	(85.0)	(112.1)
Shareholder tax			
UK corporation tax			
Current year charge	**0.4**	3.2	0.8
Prior year credit	**(0.5)**	(0.4)	(2.6)
Overseas tax	**(0.2)**	0.3	2.0
	(0.3)	3.1	0.2
Deferred tax on pensions business losses			
Current year credit	**(2.3)**	-	(2.5)
Prior year credit	-	-	(3.4)
Deferred tax charge on other items	**6.6**	7.5	19.3
Total shareholder tax charge for the period	**4.0**	10.6	13.6

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

5. Earnings per share

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	Pence	Pence	Pence
Basic earnings per share	**3.4**	4.7	14.2
Diluted earnings per share	**3.3**	4.6	14.1

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

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
Earnings			
Profit after tax *(for both basic and diluted EPS)*	**16.0**	22.2	67.1
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	**475.9m**	471.5m	473.6m
Adjustments for outstanding share options	**3.5m**	8.9m	2.5m
Weighted average number of ordinary shares *(for diluted EPS)*	**479.4m**	480.4m	476.1m

6. Dividends

	6 Months Ended 30 June 2009	6 Months Ended 30 June 2008	12 Months Ended 31 December 2008
	£' Million	£' Million	£' Million
2007 final dividend – 2.55 pence per ordinary share	**-**	-	12.1
2008 interim dividend – 1.84 pence per ordinary share	**-**	-	8.7
2008 final dividend – 2.55 pence per ordinary share	**12.2**	12.1	-
Total dividends paid	**12.2**	12.1	20.8

The directors have resolved to pay an interim dividend of 1.84 pence per share (2008: 1.84 pence). This amounts to £8.8 million (2008: £8.7 million) and will be paid on 16 September 2009 to shareholders on the register at 7 August 2009.

7. Assets held to cover linked liabilities

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

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
Assets			
Investment property	**350.8**	604.9	410.6
Investments			
Equities	**9,013.0**	9,684.8	8,921.5
Fixed income securities	**1,382.6**	752.1	939.9
Investment in Collective Investment Schemes	**1,063.7**	1,027.5	1,058.1
Currency forwards	**28.1**	0.3	0.5
Other receivables	**111.4**	102.2	86.5
Cash & cash equivalents	**1,798.0**	1,962.8	2,156.0
Total assets	**13,747.6**	14,134.6	13,573.1
Liabilities			
Financial liabilities			
Currency forwards	**-**	0.5	126.6
Deferred tax liabilities	**0.1**	17.2	0.5
Other payables	**77.4**	108.5	82.4
Total liabilities	**77.5**	126.2	209.5
Net assets held to cover linked liabilities	**13,670.1**	14,008.4	13,363.6

8. Deferred acquisition costs

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
Life business – insurance DAC	**24.0**	25.9	25.4
Life business – investment DAC	**458.5**	397.9	433.9
Unit trust business – investment DAC	**113.3**	99.5	105.6
Total deferred acquisition costs	**595.8**	523.3	564.9

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

9. Deferred tax assets

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
Life business - unrelieved expenses	**57.7**	56.4	57.7
Life business - EUFT	**8.6**	-	8.4
Life business - pension business	**8.2**	-	5.9
Life business - deferred income	**34.0**	34.3	34.4
Unit trust business - deferred income	**35.3**	31.4	32.8
Other	**3.9**	7.2	4.5
Total deferred tax assets	**147.7**	129.3	143.7

In accordance with the policy adopted at the 2008 year end, a deferred tax asset on capital losses on eligible investments of £49.9 million (31 December 2008: £37.6 million) has not been recognised.

10. Other provisions

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
At beginning of period	**12.9**	5.3	5.3
Movement in the period	**(7.5)**	(0.2)	7.6
At end of period	**5.4**	5.1	12.9

Other provisions at 30 June 2009 consist of £4.8 million (31 December 2008: £4.7 million) to meet obligations arising as a result of the closure of offices, £0.2 million (31 December 2008: £0.2 million) in respect of the policyholder costs of redress for endowment business and £0.4 million (31 December 2008: £8.0 million) in respect of miscellaneous items. The reduction in the provision for miscellaneous items results primarily from the utilisation of a £6.9 million provision at 31 December 2008 as a goodwill payment made to clients in April 2009 who were impacted by the closure of the Enhanced Fund within the AIG Premier Access Bond and AIG Bond products.

11. Deferred tax liabilities

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
On deferred acquisition costs	**155.9**	135.9	147.2
On acquired value of in-force business	**15.6**	16.6	16.1
Within unit-linked funds	**0.1**	17.2	0.5
Other	**4.9**	5.7	5.0
Total deferred tax liabilities	**176.5**	175.4	168.8

12. Deferred income

	30 June 2009	30 June 2008	31 December 2008
	£' Million	£' Million	£' Million
Life business	**253.4**	252.7	255.4
Unit trust business	**126.1**	112.2	117.2
Total deferred income	**379.5**	364.9	372.6

13. Share capital

	Number	**Nominal value**
		£' Million
At 30 June 2008	478,932,743	71.8
Issue of shares	620,117	0.1
At 31 December 2008	479,552,860	71.9
Issue of shares	183,427	0.1
At 30 June 2009	**479,736,287**	**72.0**

14. Related party transactions

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

Transactions with LBG and LBG group companies

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

- Commission of £2.4 million (2008: £4.5 million) was receivable in relation to the sale of various products and services offered by LBG companies
- During the year, deposits were placed with LBG companies on normal commercial terms. At 30 June 2009 these deposits amounted to £34.7 million (2008: £70.5 million)
- Amounts lent by, or assigned to, the Bank of Scotland to members of the St. James's Place Partnership, under guarantee by SJP, totalled £59.3 million (2008: £62.8 million)
- Fees of £9,600 (2008: £10,900) were payable to Insight Investment Management Limited in respect of investment management services to a number of SJP life, pension and unit trust funds. The outstanding balance payable at 30 June 2009 was £Nil (2008: £1,900)
- Fees of £649,000 (2008: £1.6 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 SJP UK life and pension funds. The outstanding balance payable at 30 June 2009 was £214,000 (2008: £165,000)
- Fees of £23,801 (2008: £25,000) were payable to LBG in respect of the services of non-executive SJP Board Directors
- SJP Board Directors have been included in a directors' and officers' insurance policy negotiated on a group basis by LBG

15. Statutory accounts

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2008 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies.

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

16. Approval of half year report

These condensed consolidated half year financial statements were approved by the Board of Directors on 28 July 2009.

Responsibility Statement of the Directors in Respect of the Half Year Financial Report

We confirm that to the best of our knowledge:

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

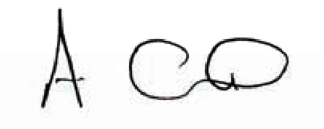
- the interim management report includes a fair review of the information required by:

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

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

The condensed financial statements on pages 41 to 54 were approved by the Board of Directors on 28 July 2009 and were signed on its behalf by:

David Bellamy
Chief Executive



Andrew Croft
Finance Director

Independent Review Report by KPMG Audit Plc to St. James's Place plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2009 which comprises the Condensed Consolidated Statement of Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows, and the related explanatory notes and to review the European Embedded Value Basis Supplementary Information for the six months ended 30 June 2009 which comprises the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position and the related explanatory notes ("the Supplementary Information").

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

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

Directors' Responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The Supplementary Information has been prepared in accordance with the EEV Principles, using the methodology and assumptions set out in note II to the Supplementary Information. The Supplementary Information should be read in conjunction with the group's condensed financial statements which are set out on pages 41 to 54.

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Based on our review, nothing has come to our attention that causes us to believe that the Supplementary Information for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the EEV Principles, using the methodology and assumptions set out in note II to the Supplementary Information.

KPMG Audit Plc
Chartered Accountants
London
28 July 2009

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Financial Calendar

Ex-dividend date for interim dividend	5 August 2009
Record date for interim dividend	7 August 2009
Latest date for receipt of scrip dividend mandates	1 September 2009
Interim dividend payment date	16 September 2009
Announcement of 3rd quarter new business	3 November 2009
Announcement of 4th quarter new business	21 January 2010
Preliminary announcement	24 February 2010

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