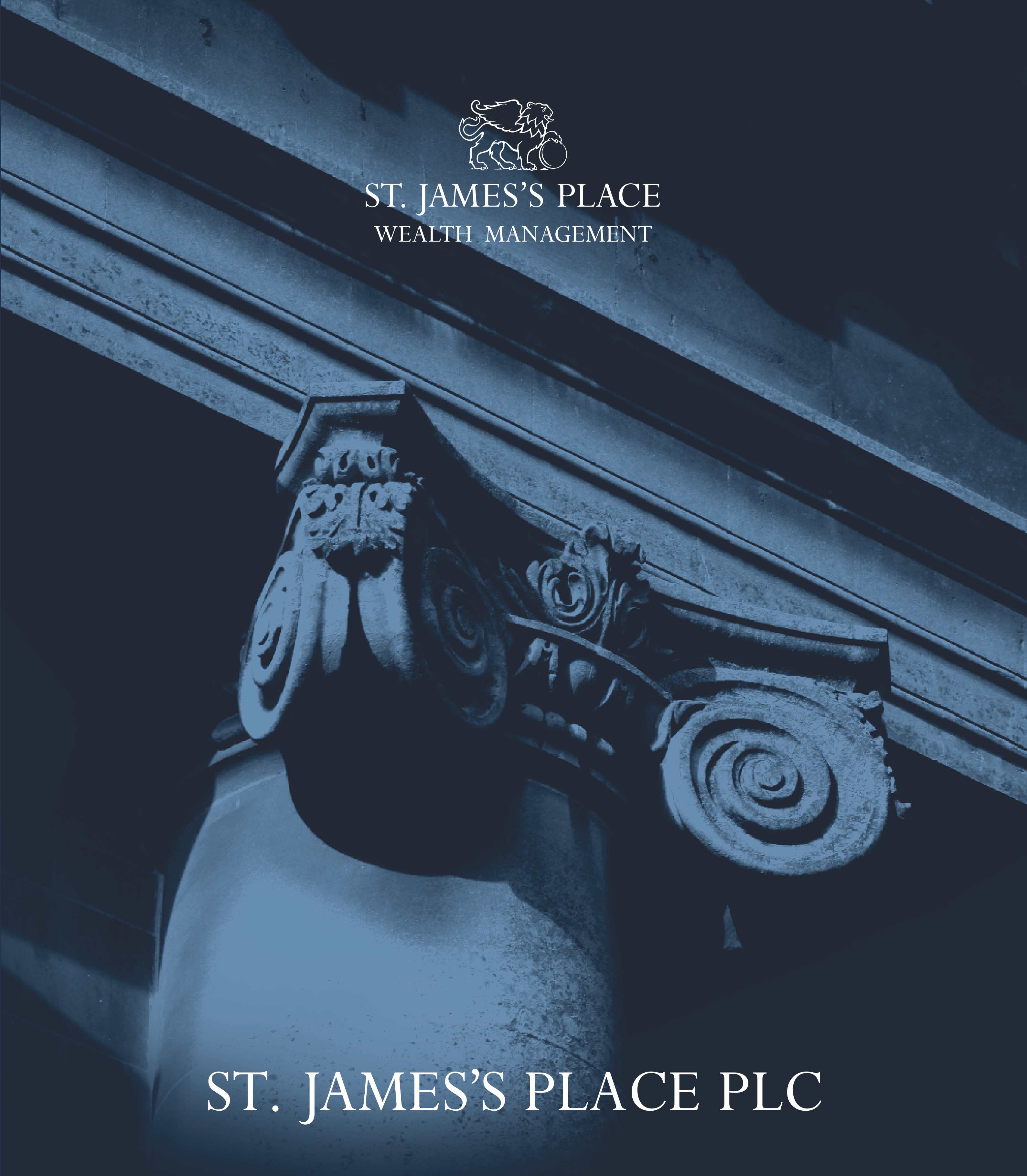


ST. JAMES'S PLACE
WEALTH MANAGEMENT

ST. JAMES'S PLACE PLC

REPORT & ACCOUNTS 2008

Contents

Company Registration Number 3183415

About Us

St. James's Place was established in 1991 and began advising clients in January 1992. In the period since then our business has grown to become one of the UK's leading wealth management companies, providing face-to-face advice to clients based on their individual needs and circumstances.

This relationship-based approach has proven to be very resilient and no more so than in these very volatile times. Indeed as the UK, along with other economies, faces up to fallout from the current financial crisis, there is increasing demand for advice that can be trusted and for timely and reliable information.

We believe we are uniquely positioned to continue to succeed in this market because of two fundamental principles that have underpinned our business from day 1: the strength of the relationship between our advisers and their clients; and our approach to investment management.

Partner-Client Relationships

Our advisers, members of the St. James's Place Partnership, build long-term, sustainable relationships with clients that last. We are dedicated to working with clients to help them realise their long-term aims, supporting them over the years as their circumstances and priorities change. We believe advice is best given face-to-face and focused on the personal needs of each individual client. 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.

The success of our approach can be seen from the fact that in recent years over 70% of new investments came from existing clients or from referrals from existing clients.

Our Approach to Investment Management

We do not employ in-house fund managers because we believe that no single investment house can have a monopoly of investment expertise. We therefore carefully select a number of external managers to manage our range of funds. The cornerstone of this approach is the Investment Committee who 'manage the fund managers' on behalf of our clients. We retain an independent investment consulting firm, Stamford Associates, who play a crucial role in selection and management. This approach gives us both the flexibility to respond to market conditions as they change and also the confidence that we are employing the best fund managers for our clients.

Our Corporate Objective

Our goal is to be acknowledged as the UK's most successful wealth management business. As such, we were delighted that at the end of 2008 the readers of the Daily Telegraph again voted St. James's Place 'Wealth Manager of the Year' having also voted us recipients of this award in 2007. We were also voted Wealth Manager of the Year by the readers of the Financial Times and the Investors' Chronicle.

Winner
The Daily Telegraph
Wealth Manager
of the Year 2007 & 2008

Wealth Management AWARDS 2008
INVESTORS CHRONICLE
FT FINANCIAL TIMES
WINNER
BEST WEALTH MANAGER
ST. JAMES'S PLACE WEALTH MANAGEMENT

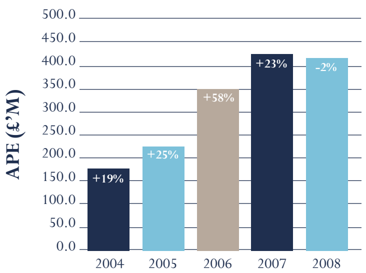
Financial Highlights

	Year Ended 31 December 2008	Year Ended 31 December 2007
	£' Million	£' Million
European Embedded Value Basis		
Life business	**174.1**	189.9
Unit trust business	**50.8**	59.0
Other	**(20.6)**	(4.2)
Operating profit before tax	**204.3**	244.7
Total (loss)/profit before tax	**(115.9)**	230.4
Shareholders' funds	**1,114.3**	1,203.3
	£' Million	£' Million
International Financial Reporting Standards		
Life business – shareholder profit	**83.2**	84.4
Unit trust business	**18.1**	15.9
Other	**(20.6)**	(4.2)
Profit before shareholder tax *	**80.7**	96.1
(Loss)/profit before tax **	**(31.4)**	103.2
Shareholders' funds	**508.0**	442.5

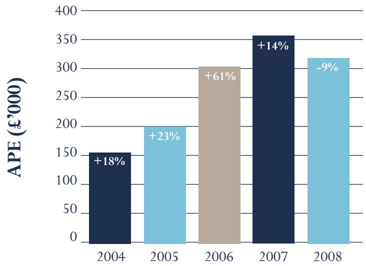
* figures exclude policyholders' tax gross up
** figures include policyholders' tax gross up

Key Performance Indicators

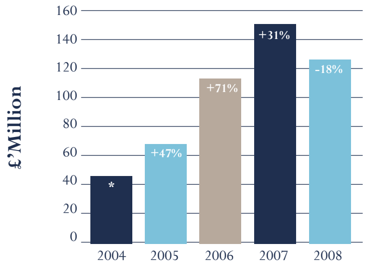
Growth in New Business (APE)



New Business per Partner

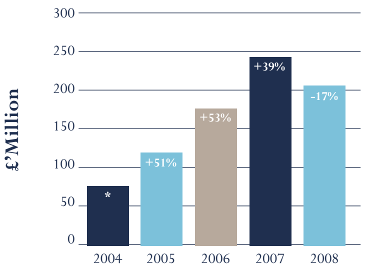


New Business Contribution



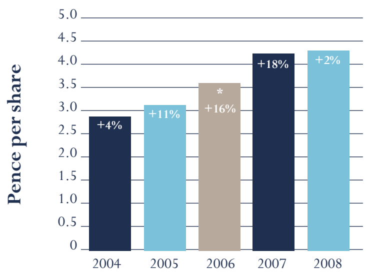
*EEV reporting basis adopted with effect from 2004 year end

EEV Operating Profit before Tax



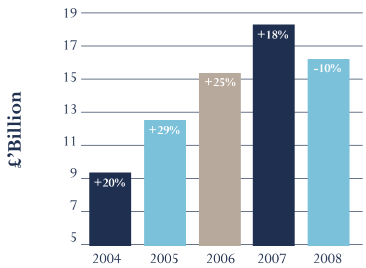
*EEV reporting basis adopted with effect from 2004 year end

Dividends

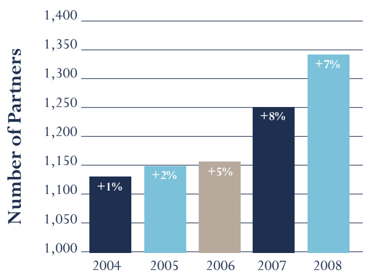


*6.35p special dividend also distributed

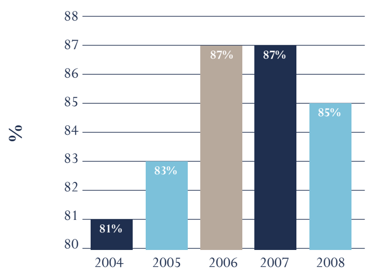
Funds under Management



Number of Partners



Manufactured Proportion of New Business



Chairman's Statement

In the Interim report I commented on the volatile world stock markets and deteriorating economic indicators that prevailed at that time. The second half of the year witnessed unprecedented and extraordinary events in the world economy which translated into the most challenging conditions for a wealth management group that any of us have seen before.

Against this backdrop our business is proving resilient. Total new business was down just 2%, while we wrote £3.1 billion of single premium investments during the year. Although funds under management fell 10% to £16.3 billion in 2008, this was in the context of 30-40% declines in world markets over the same period. In addition, our fund retention rate was an impressive 95% for 2008, demonstrating the strength of the Company's adviser-led approach to wealth management despite the more difficult environment. We are delighted to report a third consecutive year of strong growth in the Partnership with total Partner numbers up 7% to 1,340 by the year end.

Financial Performance

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

On an IFRS basis the operating profit, before shareholder tax, was £80.7 million compared with £96.1 million for the prior year whilst the EEV operating profit at £204.3 million compared with £244.7 million.

Given the economic turmoil during 2008, we consider this operating performance is another indication of the underlying strength of the Group.

The fluctuations in the world stock markets in a particular year not only cause a small impact in emerging profit in that year, but also mean that the level of future annual management charges (and therefore profit) will be impacted. Capitalisation of these future profits comes through the EEV result as an investment variance. When the stock markets perform well, we benefit from a positive variance as was the case in the period 2004-7 and, conversely, when stock markets perform badly we suffer a negative investment variance. Consequently the significant falls in the stock markets during 2008 have resulted in a very large negative investment variance of £320.6 million in the current year (2007: negative variance of £14.5 million).

Dividend

At the half year we increased the interim dividend by 5% reflecting the resilient first half performance and the economic outlook that prevailed at that time. Given the further sharp deterioration in global markets since then, the Board considers it prudent to maintain the final dividend at 2.55 pence per share (2007: 2.55 pence per share). This provides for a full year dividend of 4.39 pence per share (2007: 4.3 pence per share), an increase of 2% on 2007.

Subject to the approval of shareholders at the Annual General Meeting the final dividend will be paid on 13 May 2009 to those shareholders on the register as at 6 March 2009. Once again shareholders will be offered the alternative of a scrip dividend.

Board and Shareholder Changes

Last month our major shareholder, HBOS plc, became a subsidiary of Lloyds Banking Group plc and at this time Andy Hornby resigned from the Board as a non-executive, non-independent director. Andy's replacement, as one of two Lloyds representatives on the Board, is Steve Colsell.

I would like to thank Andy for the excellent support he provided during his directorship of St. James's Place.

Partners and Staff

It is once again my pleasure to thank, on behalf of the Board and shareholders, the Partnership, our employees and the staff in our administration centres for their outstanding contribution during 2008.

During the extraordinary events that unfolded throughout last year, I was, and continue to be, very proud of the ongoing enthusiasm, commitment and dedication at every level of our community.

Mike Wilson
23 February 2009

Chief Executive's Statement

In more normal times I would probably have started my statement with "I am pleased to report growth in business and profits ...." But these are not normal times.

The world's banking systems were almost brought to their knees as a result of the credit crisis, with governments across the globe forced to support their banks with unprecedented levels of funding and guarantees. The credit crisis rapidly spread from banks to other sectors as the world economy moved into recession.

As the year unfolded, we reassessed the business's priorities, worked even harder on keeping our expenses under control and invested more time and effort into existing client relationships whilst keeping our Partners, clients and employees up to date with the rapidly changing markets.

Consequently, as set out in the Chairman's statement, we have been able to report strong operating profits on both an EEV and IFRS basis and, given the circumstances, I believe these results once again demonstrate the robustness of the business and its resilience in bad times as well as good.

New Business

New business in 2008 was down just 2% from 2007's record performance (up 23% on 2006) having been marginally ahead for the first nine months of the year. New single premium investments exceeded £3 billion, with new single pension investments growing by 8%.

The proportion of business represented by our own manufactured products continued to exceed our stated internal target of 80% and represented 85% of the total.

We were particularly pleased to retain 95% of clients existing funds during 2008. Retention of funds under management is not only a good measure from a profitability point of view but is also a good indicator of the strength of relationships the Company has with its clients.

The St. James's Place Partnership

We continue to attract high quality advisers who are seeking a strong, well capitalised home with a brand which is recognised for reliable and trusted advice. Equally important is the continued strong retention of Partners and once again we have retained 95% of those who were with us at the start of the year. These two factors led to an increase of 7% of the size of the Partnership in 2008 to 1,340, our third consecutive year of good growth.

Shareholders will recall our 'Academy' initiative where we aim to 'grow our own' advisers to supplement our recruitment activity. The progress of the Academy in its first full year was very encouraging with the first eight new members joining the Partnership from the Academy during the year. We anticipate further new members of the Partnership joining from the Academy in future years.

The marketplace for good advisers continues to be very active at the present time and we are confident we can continue to attract the appropriate number and quality in line with our objectives.

Investment Management

2008 has been one of, if not the, most challenging year we have ever experienced for investment management. Virtually every asset class was down in value and world stock markets fell 30 - 40% year on year. During this period our funds under management were down just 10%, ending the year at £16.3 billion.

With this backdrop it is therefore not surprising that most of our funds fell as well. However, in comparative terms, in 2008, 53% of our funds under management achieved top quartile performance with nearly three quarters of our funds in the top half of their peer groups.

Looking at the 5 year record – despite the challenges of 2008 - two thirds of our funds under management are in the top quartile. In every rolling 5 year period since 2000, 60% or more of our funds are in the top quartile – with more than 80% of funds beating their peer group average in most years.

During the year, we broadened our fund range to include an Alternative Asset Fund, a Cash Unit Trust and a High Octane Fund managed by Barclays Global Investors, State Street Global Advisers and Oldfield Partners / Thornburg Investment Managers respectively. Our fund range now consists of 38 funds managed by 19 fund managers offering a wide diversification across a number of asset classes.

Our Clients

We have always considered the fair treatment of all members of our community to be central to our culture. This is particularly true of our dealings with clients.

We strive to build long term relationships with clients through the St. James's Place Partnership, providing them with ongoing face to face advice that they can trust.

The reason is simple, clients stay with and do more business with people they trust. They also refer others to them, and that's exactly what drives our business. This is why, when as a result of the market conditions AIG chose to defer redemptions from its Premier Access Bond, we took steps to support St. James's Place clients caught up in this unfortunate development. The goodwill payment announced is exactly that, a gesture of good will to support our clients, and I believe was appreciated by them.

External Recognition

In March 2008 we were delighted to be informed St. James's Place had been named **Best Wealth Manager** in the inaugural Investors Chronicle / FT Wealth Management Awards as voted for by readers of Investors Chronicle and the Financial Times. This was followed in November 2008 by being named the winner of **The Daily Telegraph Wealth Manager of the Year** award for the second consecutive year. These awards are a particularly strong endorsement of the advice and service provided by the Partnership.

At the end of last year the highly respected magazine Management Today showed St. James's Place as **'Britain's Most Admired' Life Assurance and Insurance Company**. This was based on the views of our peers, our competitors and market analysts.

It is very pleasing to receive the external recognition for what we do and is a credit to the hard work, commitment and dedication of our entire community.

Foundation and Community

The St. James's Place Foundation continues to play an important role within the lives of Partners and employees; it is an integral part of our culture and fundamental to the ethos of the Company.

2008 was another exceptional year for the Foundation and our fund raising initiatives again surpassed everything that has gone before, raising over £2.4 million.

Those fund raising efforts enabled the Foundation to continue to grant funds to exceptionally good causes. In addition to the hundreds of small charities supported by the Foundation, we made our largest ever single donation in 2008 in support of a new Hydrotherapy Pool for the Children's Trust at Tadworth. This single donation will fund the entire development of the pool and will benefit children with severe brain disorders. We have also continued our significant support for Teenage Cancer Trust and Hope and Homes.

I would like to thank all members of St. James's Place and those suppliers who have generously supported the Foundation by way of sponsorship, time and donations.

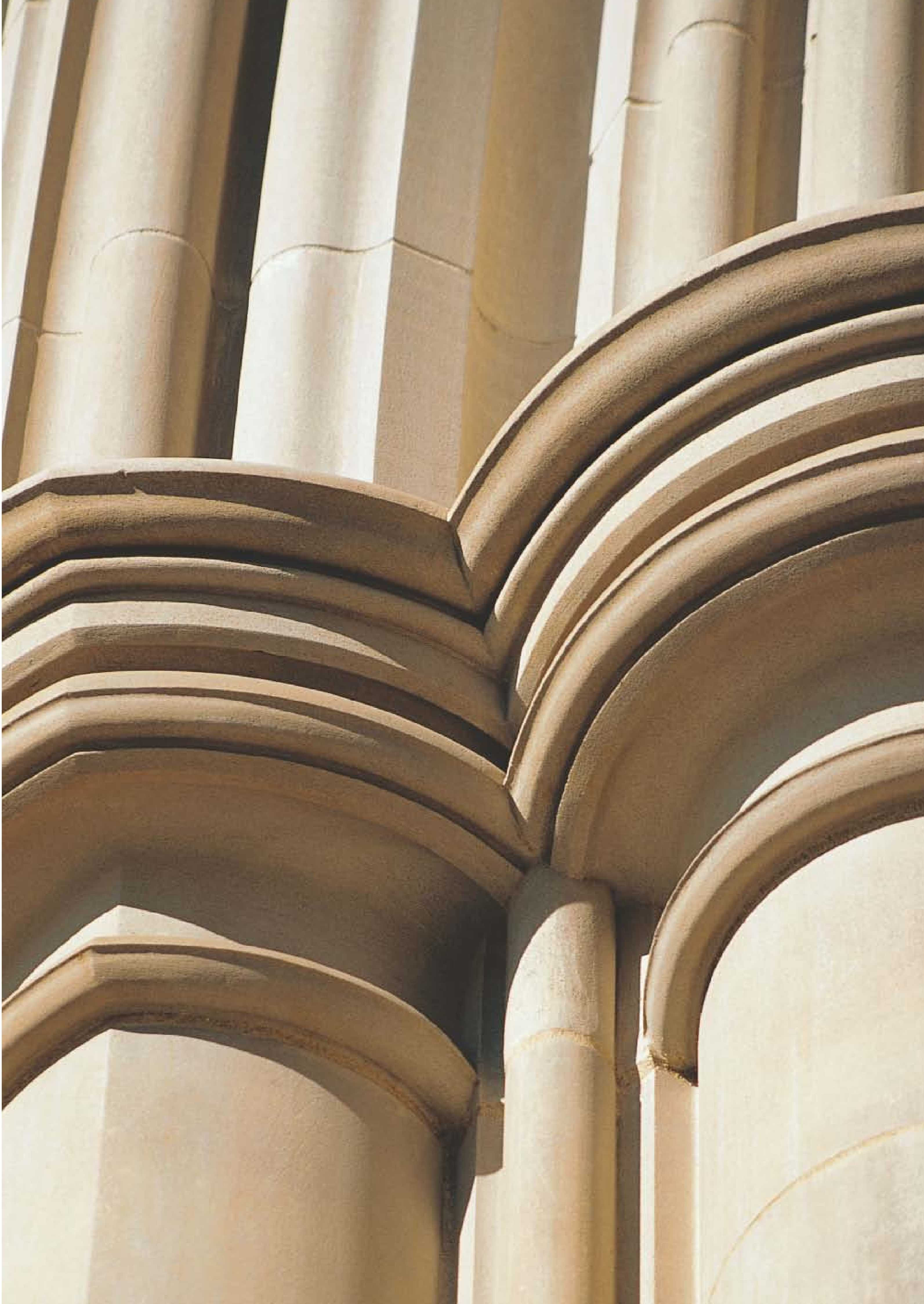
Outlook

We know that 2009 will be another challenging year but believe that the need for face to face advice is as strong as ever and our business is very well placed in that market.

We have not lost any of our enthusiasm for our medium to long term growth targets. Strong retention of funds under management, three consecutive years of growth in Partner numbers and a good environment for further recruitment of quality advisers give us good reasons to be optimistic for when the markets recover.

In the meantime, we will continue to demonstrate just how resilient this business is.

David Bellamy
23 February 2009



Financial Commentary

Last year we witnessed extraordinary and unprecedented events in the financial markets. Against this backdrop, profit and other financial indicators did not match the records of 2007. However, I am pleased to report a set of strong and resilient financial results.

The solvency position of the Group remains strong. Our prudent investment policy for shareholder assets, together with our approach of not offering products with options or guarantees, continues to immunise our capital base.

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 81 to 130.

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 to the right 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 year based on the IFRS results.

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Life business	**83.2**	84.4
Unit trust business	**18.1**	15.9
Other	**(20.6)**	(4.2)
Profit before shareholder tax	**80.7**	96.1
Policyholder tax	**(112.1)**	7.1
Total pre-tax (loss)/profit	(31.4)	103.2
Policyholder tax	**112.1**	(7.1)
Shareholder tax	**(13.6)**	(18.0)
Profit after tax	**67.1**	78.1

Life Business

The life business pre-tax profit for the current year at £83.2 million, was marginally lower than the prior year £84.4 million.

In 2007 there was a one-off increase of £19.7 million in life profits due to the adoption of an alternative tax methodology. Removing this one-off gives an underlying profit of £64.7 million.

The 2008 IFRS result has also benefited from a number of positive one-offs. The main benefit arises from £16.2 million of tax related one-offs which are expected to reverse in future years.

After allowance for one-offs, the profits for the life business in 2008 were in line with 2007, reflecting the benefit of higher funds under management, offset by the impact of stock market falls in the year.

Unit Trust Business

The pre-tax operating profit for the unit trust business was £18.1 million, £2.2 million higher than the comparative year profit of £15.9 million.

The net movement in the deferred acquisition cost (DAC) and deferred income reserve (DIR) decreased the profit for the year by £1.0 million compared with a reduction of £5.9 million for the prior year. The lower impact in the current year reflects the increasing importance of the positive impact from amortisation of existing DAC and DIR, but also the impact of lower deferral of income, as there was a greater proportion of corporate bond and cash unit trust new business which have a lower initial charge.

Other

The other result comprises the cost of share options, the AIG goodwill payment and the other operations of the Group.

- The share option cost for the year was £14.9 million compared with a cost of £12.5 million for 2007. The slightly higher charge is the result of the new Partner PSP scheme launched at the start of 2008.

- The AIG goodwill charge together with legal and professional costs incurred, amounted to £7.2 million.

- The other operations of the Group contributed a small profit of £1.5 million for the year compared with £8.3 million for 2007. The difference primarily relates to lower income from third party product sales and lower interest income.

Profit Before Shareholder Tax

The total profit before shareholder tax for the year was £80.7 million, down from the £96.1 million last year.

Policyholder Tax

The policyholder tax charge reflects the movement in the tax position of the policyholder funds, which in the current year amounted to a credit of £112.1 million (2007: £7.1 million charge).

This credit movement is predominantly driven by a change in deferred tax on unrealised capital gains on equity holdings in the unit linked life funds. The liability established is closely correlated with movements in asset values within these funds. The significant market falls in 2008 have therefore led to a reduction in the deferred tax liability which has been almost entirely written off, giving a credit adjustment of £97.0 million.

Taking account of the negative policyholder pre-tax movement, the result for the year was a total loss of £31.4 million compared with a profit for the prior year of £103.2 million.

Analysis of Constituent Parts of the IFRS Post Tax Profit

Shareholders have requested additional disclosure to assist in their understanding of the IFRS result. The table and commentary below, based on the cash flow analysis set out on page 18, provides an analysis of the constituent parts of the IFRS post tax profit.

		2008			2007		
	Note	In Force	New Business	Total	In Force	New Business	Total
Net annual management fee	1	111.2	11.0	122.2	109.3	13.9	123.2
Unwind of surrender penalties	1	(41.1)	(3.3)	(44.4)	(40.2)	(4.4)	(44.6)
DIR amortisation	2	57.6	4.4	62.0	47.5	4.4	51.9
DAC amortisation	3	(41.4)	(4.4)	(45.8)	(34.0)	(4.4)	(38.4)
PVIF amortisation	4	(2.4)		(2.4)	(2.3)		(2.3)
New business margin	1	-	(10.0)	(10.0)	-	(7.7)	(7.7)
DIR on new business	2	-	(77.4)	(77.4)	-	(94.0)	(94.0)
DAC on new business	3	-	100.0	100.0	-	100.8	100.8
Expenses	1	(7.2)	(65.0)	(72.2)	(6.7)	(60.6)	(67.3)
Investment income	1	10.1	-	10.1	10.5	-	10.5
Miscellaneous	1	18.4	-	18.4	19.0	-	19.0
Share options	5	(14.9)	-	(14.9)	(12.5)	-	(12.5)
IFRS deferred tax impacts	6	16.5	-	16.5	42.5	-	42.5
Other IFRS	7	5.0	-	5.0	(3.0)	-	(3.0)
IFRS profit (post tax)		111.8	(44.7)	67.1	130.1	(52.0)	78.1
Shareholder tax				13.6			18.0
Effective shareholder tax rate				16.9%			*18.7%*
IFRS operating profit				80.7			96.1

The post tax IFRS profit arising from the in-force business in the last year decreased from £130.1 million to £111.8 million.

The loss associated with acquiring new business during the year was £44.7 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 in 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 year was £57.6 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 2009 is £64.4 million.

(b) The deferral of the initial profit associated with new business sales in the year. In 2008 the deferred profit reduced the IFRS result by £77.4 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 acquisitions and expenses gives rise to two adjustments to arrive at the IFRS result.

(a) The amortisation of the opening DAC, which for the current year was a charge of £41.4 million. The charge in a particular year 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 2009 is £49.2 million.

(b) The deferral of the specific acquisition costs incurred in the current year. In 2008 this deferral increased IFRS profits by £100.0 million. The deferral of expenses in any particular year will be dependent upon the level of the acquisition costs which themselves will be determined by the level of new business.

4. The IFRS balance sheet includes an asset representing purchased value of in-force. This asset is amortised over the remaining life of the policies associated with this asset. The amortisation charge for 2009 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. Both the current year and prior year figures include an element of one-off impacts although in normal circumstances the annual impact would be small.

7. Other IFRS: this reflects a number of other IFRS 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:

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Purchased value of in-force	**41.6**	44.0
Deferred acquisition costs	**417.7**	359.0
Deferred income reserve	**(305.4)**	(285.6)
Other IFRS net assets	**94.1**	67.7
Solvency assets	**260.0**	257.4
Total IFRS net assets	**508.0**	442.5

	Year Ended 31 December 2008 Pence	Year Ended 31 December 2007 Pence
Net asset value per share	**105.9**	92.9

Section 2
European Embedded Value

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 140 to 150.

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Life business	**174.1**	189.9
Unit trust business	**50.8**	59.0
Other	**(20.6)**	(4.2)
Operating profit	**204.3**	244.7
Investment return	**(320.6)**	(14.5)
Economic assumption changes	**0.4**	0.2
Total pre-tax result	**(115.9)**	230.4
Tax	**28.5**	(42.0)
Post tax result	**(87.4)**	188.4

Life Business

Operating profit has decreased from £189.9 million to £174.1 million and a full analysis of the result is shown on page 146.

The decrease in operating profit is principally due to lower new business profit which was down from £114.5 million to £93.0 million.

This fall reflects the lower new business volumes, a less favourable business mix in the current year and higher expenses. As a consequence of these factors the new business margin has declined from the historic high of last year. Further detail on the new business margin is noted below.

The unwind of the discount rate for the year was £63.4 million compared with £59.1 million for the prior year. The unwind is calculated by applying the year end discount rate (as determined by the 10 year gilt yield) to the value of in-force at the start of the year. The movement between the two years therefore reflects the movement in the value of the in-force between the two reporting dates and also changes in the discount rate.

The events witnessed in the world money markets during the second half of 2008 have seen the yield on 10 year gilts fall by 1.2%, lowering the discount rate applied to the unwind by an equivalent amount. This larger than usual movement in the discount rate has reduced the unwind by some £11.5 million on a like for like basis.

The investment income at £4.9 million for the year is lower than the £6.9 million last year reflecting the lower interest rate environment.

The experience variance during the year increased operating profit by £13.7 million. Included within this figure is a positive experience variance of £11.2 million resulting from the establishment of an internal reassurance company to reassure all future pensions business. The amount reflects the anticipated earlier utilisation of existing pension tax losses.

Last year there was a positive variance of a similar magnitude which was mainly due to a one-off recovery of prior year unrelieved foreign withholding tax. The balance of the experience variance in both years represents a number of offsetting factors.

There is a small loss of £0.9 million from operating assumption changes which have been made to the calculation of the embedded value.

Unit Trust Business

The operating profit decreased from £59.0 million to £50.8 million and a full analysis of the unit trust result is shown on page 147.

Similar to the life business, the operating profit is principally lower due to the movement in the new business profit, which at £30.5 million was lower than the £36.4 million for the prior year. The fall in the new business profit reflects the marginally lower new business volumes and higher expenses.

The unwind of the discount rate at £17.1 million was lower than last year's £18.6 million. As explained above in the life result, a lower discount rate has been applied to the unwind which has reduced the unwind by some £3.1 million on a like for like basis.

There was a positive experience variance of £3.2 million for the current year reflecting a number of small positive variances. The experience variance for the prior year was a positive £4.0 million.

Other

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

Investment Return and Economic Assumption Changes

The significant fall in the stock markets during the year caused a small reduction in emerging profit in the year, but more importantly means that the level of future annual management charges (and profits) will be much lower than previously assumed. Capitalisation of this reduction in future profits meant there was a very large negative investment variance of £320.6 million for the year (2007: negative £14.5 million).

As I commented at the half year, when considering the investment variance I encourage shareholders to remember that it reflects the impact of the level of the stock markets at the end of the period on the expected future cash flows. The negative variance is the result of the large falls seen in the world stock markets last year.

The economic assumptions used in the projection of the cash flows have resulted in a small profit of £0.4 million for the year compared with a profit of £0.2 million for the prior year.

Total pre-tax result for the year was a loss of £115.9 million compared with a profit of £230.4 million for the prior year.

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.

	2008	2007
Life business		
New business contribution (£'m)	**93.0**	114.5
APE (£'m)	**350.5**	359.1
Margin (%)	**26.5**	31.9
PVNBP (£'m)	**2,520.4**	2,661.7
Margin (%)	**3.7**	4.3
Unit trust business		
New business contribution (£'m)	**30.5**	36.4
APE (£'m)	**68.5**	69.5
Margin (%)	**44.6**	52.4
PVNBP (£'m)	**685.0**	694.6
Margin (%)	**4.5**	5.2
Total business		
New business contribution (£'m)*	**123.5**	150.9
APE (£'m)	**419.0**	428.6
Margin (%)	**29.5**	35.2
PVNBP (£'m)	**3,205.3**	3,356.3
Margin (%)	**3.9**	4.5

* New business contribution is calculated as the gross margin of £250.2 million (2007: £272.8 million) from new business sales less the direct expenses of £126.7 million (2007: £121.9 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.

The new business margin has been impacted by both the lower new business volumes and the lower proportion of manufactured business. In addition the underlying business mix has been less favourable in the current year, with a high proportion of pension business and higher proportion of corporate bond and cash unit trust business.

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:

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Value of in-force		
- Life	**702.2**	746.2
- Unit trust	**152.1**	199.7
Solvency assets	**260.0**	257.4
Total embedded value	**1,114.3**	1,203.3

	Year Ended 31 December 2008 Pence	Year Ended 31 December 2007 Pence
Net asset value per share	**232.4**	252.5

Market Consistent Embedded Value

In June 2008 the European Insurance Chief Financial Officers Forum Market Consistent Embedded Value Principles (MCEV Principles) were launched. For CFO Forum companies, reporting using the MCEV Principles will be mandatory from 31 December 2009 and will supersede the European Embedded Value (EEV) regime. Early implementation is optional, and very few companies have moved to the new approach in 2008.

The objectives of the MCEV Principles are to ensure greater consistency and comparability between companies' supplementary reporting and to provide useful and appropriate information to the investment community.

St. James's Place is planning to move to MCEV reporting during 2009. The main changes relative to St. James's Place's EEV approach are:

- Move from using a single risk free rate related to 10 year gilts to risk free rates based on a swap curve;
- Making specific allowance for asymmetric risk within the non-economic assumptions, rather than within a "non-market risk" addition to the risk discount rate; and
- More detailed guidance covering how to assess and make provision for residual "non-hedgeable risk".

The adoption of MCEV also has consequences for the presentation of St. James's Place's results. We will:

- Move from our current "traditional" embedded value form of presentation to a "bottom-up" market consistent analysis based on the risk free rate; and
- Make a wider range of supporting disclosure including, for example, a greater focus on cash emerging from the business and explicit disclosure of the allowance for non-hedgeable risks.

It is important to note that the adoption of MCEV does not change the economics of our business, nor does it affect statutory results, the regulatory capital position or dividend paying capacity. However, to an extent, it does change the timing of reporting of the profits earned from the business written.

Subject to potential further detailed guidance anticipated from the CFO Forum and further detailed work, the financial impact of the new approach is expected to be relatively small as at 2008 year end, with the MCEV net assets likely to be within £20 million of published EEV.

Section 3
Cash Flow and Capital

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

Cash Flow

Last year we provided 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.

As noted last year, to obtain 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:

	2008	2007
	£'Million	£'Million
Post tax IFRS result	**67.1**	78.1
Adjustments		
Movement in deferred acquisitions cost	**(54.2)**	(62.4)
Movement in deferred income	**15.4**	42.1
Amortisation of purchased VIF	**2.4**	2.3
Share option expense	**14.9**	12.5
IFRS deferred tax impacts	**(16.5)**	(42.5)
Other	**(5.0)**	3.0
Adjusted post tax cash flow	**24.1**	33.1

Taking account of these non-cash adjustments the Group generated positive cash flow of £24.1 million during 2008 (2007: £33.1 million). The following tables and commentary provide an indicative analysis of the sources of this cash flow.

2008	**Note**	**Arising from business in-force at 1 January £'Million**	**Arising from new business in year £'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**

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

The level of net annual management fee was maintained in 2008 despite the 30% fall in stock markets during the year. This growth was achieved as a result of the net inflow of funds under management arising from the current and prior years' new business, which offset the impact of the stock market falls.

Similar to the net annual management fee, unwind of surrender penalties has increased due to net inflows during 2007 and the current year.

Whilst new business volume was marginally lower than 2007, the negative margin on new business increased as a result of the higher proportion of business that is pensions.

Although establishment expenses have increased in the year, they will be held level in 2009. These expenses are the main reduction in cash flow and holding expenses level will gear the impact of any increase in net annual management charge.

The small reduction in investment income reflects the lower interest rates available towards the end of 2008.

Compared with 2007, miscellaneous in 2008 has benefited from a number of small one-offs. However the main impact is a £7.4 million contribution from tax impacts in the year.

The charge for AIG has reduced cash flow by £7.2 million in 2008.

Notes:

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

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

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

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

4. Establishment expenses: these are the post tax expenses of running the Group's infrastructure.

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.

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

7. EUFT: in 2007 we were able to obtain relief for prior year excess unrelieved foreign withholding tax which resulted in a one-off in that year of £7.2 million.

Capital Position

In recent months there has been considerable investor debate, focus and concern about the balance sheets of financial institutions.

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

It will be noted that the regulated entities are well capitalised over their solvency requirement and that the assets are prudently managed – being predominantly in cash, 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 £'Million	Other Regulated £'Million	Other £'Million	Total £'Million
Solvency position				
Solvency net assets	151.9	19.3	88.8	260.0
Solvency requirement	41.1	14.6		
Solvency ratio	370%	132%		
Analysis of net assets				
UK Government gilts	23.0	-	-	23.0
Other Government backed debt	26.3	-	-	26.3
AAA rated money market funds	137.0	15.6	20.5	173.1
Bank balances	26.3	20.1	15.3	61.7
Fixed assets	-	-	12.2	12.2
Actuarial reserves	(32.2)	-	-	(32.2)
Other assets / liabilities	(28.5)	(16.4)	40.8	(4.1)
	151.9	19.3	88.8	260.0
Adjustments to IFRS basis				
Purchased VIF	41.6	-	-	41.6
DAC and DIR	120.5	(8.3)	-	112.2
Other	94.2	-	-	94.2
Total net assets	408.2	11.0	88.8	508.0

Share Options Maturity

In addition to the strong solvency, the Company has share options outstanding under the various share option schemes at 31 December 2008, which amount to 32.7 million (31 December 2007: 35.0 million). As can be seen from the table to the right the share options, if exercised, will provide a significant source, up to £74.6 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.

The total number of options, including those options in the SJP Employee Trust, together with their earliest exercise date, is set out in the following table:

Earliest date of exercise	Average exercise price £	Number of share options outstanding Million	Potential proceeds £' Million
Prior to 1 Jan 2009	1.72	14.3	24.7
Jan – Jun 2009	2.21	0.9	2.0
Jul – Dec 2009	2.75	16.2	44.4
Jan – Jun 2010	2.58	0.5	1.4
Jul – Dec 2010	2.62	0.2	0.4
Jan – Jun 2011	2.13	0.8	1.7
		32.9	74.6

Of those options with an earliest date of exercise prior to 1 January 2009, 0.6 million options require further performance conditions to be met before vesting unconditionally.

Section 4
Other Matters

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

Expenses

The table and commentary below provides details of the Group's expense position.

Category	Note	**Year Ended 31 December 2008 £' Million**	Year Ended 31 December 2007 £' Million
Paid from policy margins			
Partner remuneration	1	**176.9**	191.8
Investment expenses	1	**59.6**	68.4
Third party administration	1	**27.8**	24.7
		264.3	284.9
Direct expenses			
Other new business related costs	2	**42.2**	44.4
Establishment costs	3	**97.6**	91.9
Contribution from third party product sales	4	**(13.1)**	(14.4)
		126.7	121.9
		391.0	406.8

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 £5.4 million (2007: £6.1 million), sales of stakeholder products of £1.1 million (2007: £0.6 million) and sales through the Protection Panel of £6.6 million (2007: £7.7 million).

For 2008 we originally set a target of limiting the growth in the establishment expenses to around 10%, in the expectation of growing new business in line with our longer term growth target of 15-20%. As the year progressed and it became clear that 2008 would be a difficult year, we took steps to reduce our expenditure plans.

At the half year the establishment expense growth was 9% and in my commentary in the Interim report I indicated that the full year growth would be in the region of 5-6% and the actual growth was 6%.

We are budgeting for 2009 establishment expenses to be level with the current year.

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 the implied surrender rate for the current year is at a similar level to 2007.

	Year Ended 31 December 2008 £' Billion	Year Ended 31 December 2007 £' Billion
Opening funds under management	**18.2**	15.4
New money invested	**3.0**	3.1
Investment return	**(3.6)**	0.9
	17.6	19.4
Regular income withdrawals/ maturities	**(0.4)**	(0.3)
Surrenders/part surrenders	**(0.9)**	(0.9)
Closing funds under management	**16.3**	18.2
Implied surrender rate as % of average funds under management	**5.2%**	5.1%

The regular income 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.

Similarly, 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 to the left 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

HMRC is currently consulting on proposals outlined in the pre-budget report, published in November 2008, to alter the tax treatment of dividends on overseas equities. Should the proposals be enacted as currently envisaged, this would impact the EEV and cash flow of the UK life business. Whilst the changes would reduce the tax paid on unit linked fund income (which would improve the future expected fund growth) overseas dividend income would no longer be available to relieve management expenses. Relief of management expenses would therefore be more dependent upon realised capital gains in the unit linked funds, which may impact upon the timing of the relief and therefore the timing of cash flows.

After reading my statement I hope shareholders will agree with my opening remark that these are a resilient set of results given the developments in the financial markets during 2008.

Andrew Croft
23 February 2009

Corporate Social Responsibility Report

St. James's Place is committed to growing our business in a way that takes account of the economic, social and environmental impacts of what we do.

Responsible management is increasingly important to our stakeholders – shareholders, clients, Partners, employees, suppliers and the communities in which we operate. We are pleased that St. James's Place continues to be included in the FTSE4 GOOD Index, which comprises companies that meet globally recognised Corporate Social Responsibility (CSR) criteria. In this year's report, we have sought to provide information on how we manage CSR at St. James's Place and highlight five key areas where we have had a positive impact in 2008:

- The St. James's Place Foundation
- People
- Our Clients
- Community Activities
- Environment

Further information can be found on our website at www.sjp.co.uk.

CSR Governance

St. James's Place's Corporate Social Responsibility programme is steered by the CSR Committee. The Committee comprises senior executives from across the business and is chaired by the Company Secretary. The Committee meets on a monthly basis to review the programme.

The St. James's Place Foundation

Overview

The St. James's Place Foundation was set up in 1992, following the creation of the St. James's Place Group by Sir Mark Weinberg and Mike Wilson in 1991. From day one, Directors, Partners and employees at St. James's Place had a collective desire to give something back to the community. As a result, the Foundation has grown into a thriving grant-making charity that relies on the efforts of Partners and staff to raise vital funds for charities in the UK and abroad. The Company matches every pound raised by Partners and staff for the Foundation on a pound for pound basis.

2008 Grant-Making Activities

During 2008, the Foundation donated £1.2 million to fund the building of a specialist Hydrotherapy Centre at The Children's Trust, Tadworth in Surrey.

An artist's impression of the completed Hydrotherapy Centre at Tadworth, Surrey

The Children's Trust provides unique and specialist residential care, education, rehabilitation and therapy for some of the UK's most profoundly disabled children. The Hydrotherapy Centre will enable the team at the Trust to offer vital therapy to over 250 children who the Trust helps each year.

It is the single largest gift made by the Foundation in its sixteen year history.

Other grant-making activities during 2008 included:

Cherishing the Children
Any charity with an annual income of less than £600,000 that has a project that will directly help young people under the age of 25 in the UK who suffer from physical or mental health difficulties or conditions, or a life threatening or degenerative illness, can apply for a grant of up to £10,000 from the Foundation. During the year, 79 grants were distributed totalling £670,000 under this scheme.

The Hospice Movement
The Foundation makes grants of up to £10,000 to Hospices in the UK for items such as equipment or a contribution towards the cost of specialist nursing care or therapies. During the year, 25 grants were distributed totalling £228,000 under this scheme.

Hope & Homes for Children
The Foundation has continued its long standing relationship with this charity that provides family homes and other support for children orphaned by war or disaster. More than £2.9 million has been donated to Hope & Hopes since the relationship began. In 2008 our funding focused on vital projects in Romania and Bosnia-Herzegovina. Thanks to funding from the Foundation, Hope and Homes for Children were able to place 208 vulnerable and abandoned young people into caring and loving home environments.
www.hopeandhomes.org

Teenage Cancer Trust
Our relationship with the Teenage Cancer Trust (TCT) has continued in 2008 with a payment of £120,000 to support patient technology within the TCT unit at the Royal Marsden Hospital in Surrey. Leeds and Birmingham infirmaries have been recipients of previous donations under this scheme and the latter attracted a significant donation from one of St. James's Place's former investment managers. TCT has opened 9 units so far and aims to open 21 more units around the UK for teenage cancer sufferers.
www.teenagecancertrust.org

CIDA
CIDA is a non-profit, private higher education institution founded in 1999 in South Africa which focuses on creating a meaningful financial and economic democracy in South Africa through providing students with business and technology based academic qualifications. Initial funding from the Foundation sponsored 39 students through a three-year degree course. A further 60 students have since been sponsored through generous contributions by Partners and employees. In 2008, the Foundation granted CIDA £71,400.
www.cida.co.za

Fund-Raising Activities

Supporting the Foundation's fundraising activities is a key corporate objective for St. James's Place. Everyone at St. James's Place focuses on this objective with the same level of rigour and passion that we bring to managing other key performance indicators for our business.

Every Partner and employee is encouraged to take part in, and contribute towards, fundraising events that raise anything from a few hundred pounds to hundreds of thousands of pounds. Each office location takes responsibility for fundraising led by a local Foundation Committee which helps shape the national approach. Social events, as well as more formal business gatherings, are seen as opportunities to raise funds and highlight the needs of others. Many of our suppliers also support the Foundation through regular donations of cash or items for auction.

Typical fundraising events have included tandem skydiving, a triathlon, marathons and ironman challenges. From time to time, extreme challenges emerge, often starting as the dream of a single employee and quickly blossoming into a viable plan, gaining support and sponsorship across the Group. During 2008, these included:

- a Coast to Coast Cycle Challenge where individuals raised over £40,000;
- a Ten Tors challenge across Dartmoor for teams from different offices that raised over £62,000;
- a London based Boxing Event that raised over £45,000; and
- a Triathlon-based in St Albans where teams from various St. James's Place offices and our suppliers raised in excess of £45,000.

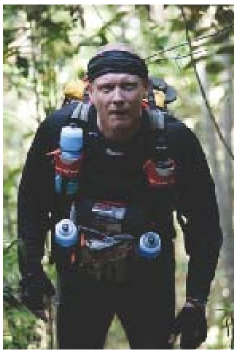
All of these events received Company matching effectively doubling the funds raised.

Payroll Giving

Alongside these ad hoc fundraising initiatives, the Foundation has consistently promoted regular giving through deductions from payroll and, in the case of Partners, deductions from their gross earnings. This has the benefit of providing a regular monthly income to the Foundation and enables the Foundation to reclaim the tax relief provided under the Gift Aid scheme. Around 80% of the St. James's Place community make regular monthly donations to the Foundation. This raised £400,818 during the year. This impressive result demonstrates the commitment by the St. James's Place community as a whole to support the activities of the Foundation on an ongoing basis and shows that the Foundation is at the heart of what we do at St. James's Place.

Since 1999, every pound raised by members of the St. James's Place community has been matched by St. James's Place. This matching totalled £1,040,752 million in 2008.

The Foundation is a great example of a company acting responsibly while also positively engaging all of its stakeholders. In our case, the Foundation has made a significant impact in maintaining our core values and reinforcing team working within the Partnership and amongst staff. We are confident this has played a large part in the sustained growth of St. James's Place.



Extreme Challenge in Support of the Foundation

In 2008 St. James's Place Partner David Cook ran 200km through dense jungle, swamps, rough terrain and risked coming face-to-face with jaguars, piranhas and venomous snakes as part of the Jungle Marathon in Brazil to raise vital funds for the Foundation.

Nearly a third of all entrants dropped out of the Amazon race ahead of the finish line due to the sweltering heat and humidity, but heroically David managed to complete the gruelling course.

Foundation Award

Many of our Partners and staff are dedicated to raising funds for the Foundation and often go to extraordinary lengths to enable the Foundation to make a difference. In 2008 we decided to award two Partners for their special efforts. The joint winners of the inaugural Foundation award this year were Martin Rashdi and Placid Gonzales, who together have raised well over £1million, with matching, for the Foundation. Martin created the St. James's Place Foundation Triathlon in 2003 which has raised funds for a number of Hope and Homes for Children's vital projects in Eastern Europe. Placid's boxing event is held in London and is now in its seventh year, proving to be extremely popular with the St. James's Place community, Partners, staff, clients and suppliers.

Looking forward, we already have ambitious plans for 2009 to match - and hopefully better - 2008's fundraising total of £2,454,967 million (including tax recovered through gift aid). This will enable us to help more charities and fund more vital projects, improving our reach and maximising our impact on the lives of people in need, both in the UK and overseas.

People

Our Approach

All employees and members of the St. James's Place Partnership receive a booklet entitled 'Our Approach' which contains guidance on the values held by St. James's Place, in particular:

- Our objectives;
- The St. James's Place brand and how its integrity and value 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.

The statement emphasises the values of integrity, trust, openness, partnership and teamwork and is designed to guide individual and corporate actions, decisions and standards across the Group.

The Partnership

The St. James's Place Partnership is made up of some of the most experienced, able and highly regarded professionals working in wealth management today.

Our Partners are self-employed business people who represent St. James's Place when advising their clients on wealth management issues. Members of the St. James's Place Partnership form a close bond with the Company and share its core values. On average, Partners have over 16 years' service in the financial services industry and Partner retention has remained very strong in recent years, as indeed has the recruitment of new Partners.

Remuneration arrangements for Partners are designed in such a way that their interests are aligned with clients' interests and, in so doing, help foster long-term Partner-client relationships.

Partner Training and Development

We encourage Partners to continually develop their knowledge and expertise and offer a wide range of courses for all Partners to refine and develop their skills. They also receive regular information and guidance on changes in legislation or regulation. Partners are encouraged to specialise, in particular in areas such as; investments, pensions, retirement planning or corporate advice; and then work together to provide the best solutions for clients. In all of these areas St. James's Place provides specialist support to help Partners deepen their knowledge by providing experienced and qualified help where required.

Partner Feedback

Management consult regularly with the Partners, through formal surveys and consultation groups as well as regular, informal one-to-one discussions.

With regard to current sentiment amongst the Partnership, it is evident that they strongly perceive St. James's Place to be the right place to be, despite market conditions. They recognise the challenges they are facing in 2009 and their focus is very much on client servicing and relationship management. Our support to Partners in these areas is being reviewed and further developed with their guidance.

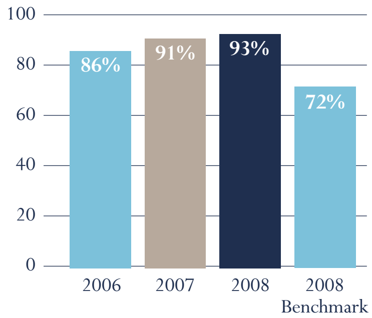
Our Employees

We firmly believe that our success as a business depends on the loyalty and dedication of our people, whether Partners or employees. Our employees give us 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.

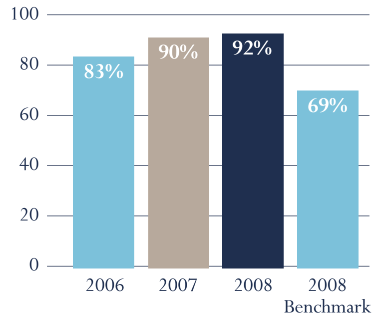
Employee Feedback

We take pride in being a people business and continue to seek employees' views and opinions through our regular Employee Survey. Our 2008 survey received a response rate of 82% and employee engagement was as high as 95% in some areas. The 2008 Survey gave an overwhelming message that St. James's Place is a great place to work with 90% of employees responding positively to this question.

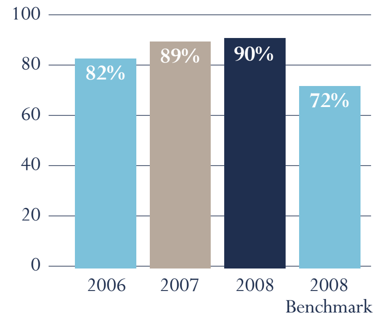
"I feel proud to work for SJP"



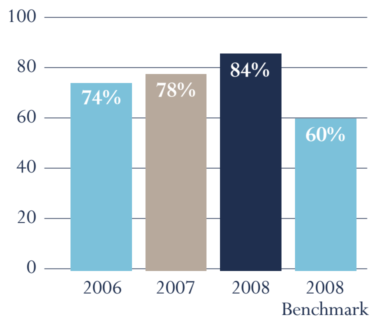
"I would recommend SJP as a good place to work"



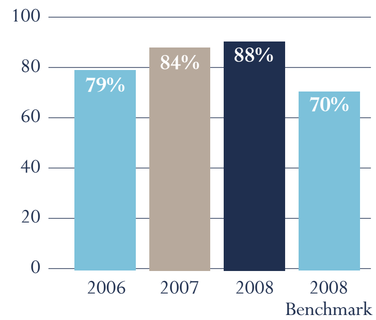
"Considering everything, I am satisfied with SJP as a place to work"



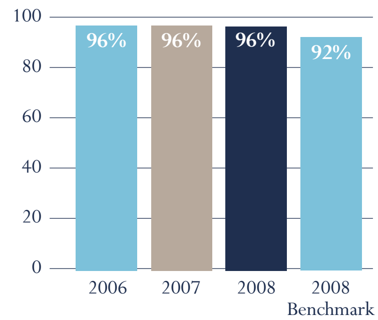
"I feel a strong sense of belonging to SJP"



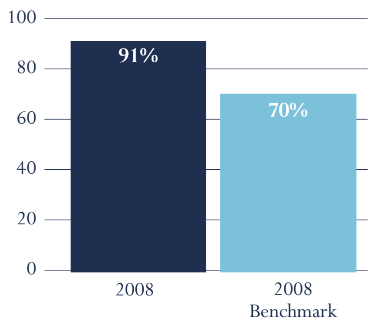
"I intend to still be working for SJP in 12 months time"



"I am happy to go the 'extra mile' at work when required"



"Working here makes me want to do the best I can"



	St. James's Place	**Comparison to Benchmark**
I feel proud to work for SJP	93	+21
I would recommend SJP as a good place to work	92	+23
Considering everything, I am satisfied with SJP as a place to work	90	+18
I feel a strong sense of belonging to SJP	84	+24
I intend to still be working for SJP in 12 months time	88	+18
I am happy to go the 'extra mile' at work when required	96	+4
Working here makes me want to do the best I can	91	+21

Our employee engagement index is measured by the advocacy of our staff, their intention to stay with the organisation and how committed they are to organisational goals. The graphs on the opposite page show our results and how we compare with our peer benchmarks.

Employee retention for 2008 was 88% whilst days lost through sickness across the business stands at 4.3 days per employee, per year, which is below the national average. 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. Our workplace gender profile is fairly evenly split with a total of 328 female and 283 male employees.

People Development

St. James's Place is a Corporate Member of the Institute of Customer Service. During 2008 the ICS Awards programme was rolled out to employees for development purposes. This has been very successful and resulted in the Company being awarded Approved Centre Status by the ICS. This recognises that our programme is self-sufficient with our own training events, coaches and assessors.

Knowledge Development Meetings were implemented during 2008 for Cirencester employees. This was designed to help employees develop their understanding of some of the key business areas such as our products and services, our fund management approach, the Partnership and topical issues such as the FSA's Retail Distribution Review. These meetings were extremely well received and the programme has been widened with many more topics available during 2009.

The induction programme for new Head Office employees was reviewed and updated during 2008 - the main outcome being to ensure that the unique brand and culture of St. James's Place was shared in sufficient depth with all new joiners with an emphasis on St. James's Place as a wealth management company. We were also delighted to welcome selected members of staff from our suppliers to this event helping them build a better understanding of the Company.

Our Field Management Team has different specialist areas, so we have created a development programme that is tailored to each role. This commences as soon as a new manager joins St. James's Place and continues throughout their career. We have implemented a programme of six courses for Business Development Managers, each designed to help them develop their consultancy skills when helping Partners to build their practices. The programme covers various topics from recruiting staff to business planning.

Performance, Reward and Remuneration

The performance and development of our people is encouraged and supported through a formalised Performance Development Review process and in 2008 85% of employees informed us that their last Review accurately reflected their performance. Our reward package is competitive with a comprehensive range of benefits provided to all employees including Pension, Life & Critical Illness cover and Private Medical cover. We also provide the opportunity for all employees to benefit from annual bonuses linked to St. James's Place performance. Recognising the benefit of all employees having the opportunity of an equity interest in St. James's Place everyone can join the Sharesave plan and acquire shares in St. James's Place after a three-year savings period, with 60% of employees currently participating in this scheme. Management are also given the opportunity to participate in share incentive schemes, further details of which are set out in the Remuneration Report on pages 67 to 68.

Health & Safety

We work hard to create an excellent working environment for employees and Partners. We ensure every office complies with Health & Safety regulations and also try to improve awareness through regular training sessions.

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

In February 2008 we completed the construction of our 45,000 sq. ft. purpose-built Head Office in Cirencester, which is now home to 368 head office employees. Further details of the new building can be found on page 34.

Diversity & Equal Opportunities

St. James's Place has a well-established awareness of its statutory and social responsibilities with regard to the recruitment and employment of staff. The Company is committed to maintaining an appropriately skilled and diverse work force irrespective of race, religion, marital status, age, gender, sexual orientation or disability.

In respect of employees with disabilities, we will always consider possible modifications to the working environment to ensure someone with disabilities has the chance to take up opportunities or receive promotion.

We ensure that every effort is made to achieve continuity of employment in the event of an employee becoming disabled. Similarly, best practice principles ensure that our responsibilities are met as an equal opportunity employer.

Employee Communication

We remain committed to an open style of communication with employees. We keep our entire community informed on a regular basis on matters that might affect their day-to-day work and communicate items of interest. Regular feedback is encouraged and managers are expected to have regular one-to-ones with team members as well as team and other ad hoc meetings. Directors and senior managers regularly visit all St. James's Place office locations to disseminate key corporate messages and obtain valuable feedback.

Our Clients

St. James's Place has always considered the fair treatment of clients to be central to its 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 trained advisers;
- Providing solutions to meet identified client needs;
- Ensuring that our literature is clear and easily understood;
- Doing our very best to ensure that their investments are managed effectively to meet or exceed expectations; and
- Exhibiting empathy and consideration when dealing with clients, working within the 'spirit' of our relationship and listening to their needs.

We support and encourage Partner-client relationships by ensuring that the range of wealth management services on offer are comprehensive and meet 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.

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.

Investing Client Money

As well as providing advice on a range of products and services, a substantial part of our business is the management of our clients' money. We employ Stamford Associates, an external firm of consultants, to oversee the performance of our Fund Managers and report regularly to our Investment Management Committee. We select the best Fund Managers, closely monitoring their activities and introducing new managers where appropriate. This approach has consistently delivered above average investment returns over the medium to long term for our clients.

There have been a number of initiatives developed in recent years to enhance the client experience such as the introduction of our 'flagship' client report - the 'Wealth Account'. This brings together all of a client's investments arranged via the St. James's Place Partnership into a consolidated annual summary with valuation and asset class information.

For clients particularly interested in investing in environmentally friendly companies, the Group offers ethical funds. These funds invest in companies demonstrating sound environmental and social policies.

Client Feedback

We recognise that, over time, clients' needs change. We try to anticipate and understand their changing needs and ultimately respond positively to these changes, in a way that maintains the Partner-client relationship for the long-term.

We consult regularly with clients through annual satisfaction surveys and focused research on specific areas of our offering. We aim to build on the outcomes of each survey and from the direct feedback clients give Partners. In 2007, we delivered our first annual satisfaction survey. The feedback was very positive and gave us a clear understanding of what clients want and expect. In 2008, we have been able to build on our understanding of clients' needs by focusing on how best to communicate with them in times of market volatility. Client feedback has been instrumental in formulating best practice for the year ahead and will ensure that, whatever the news, we always keep clients up to date and comfortable with our long-term approach.

The results from 2008 have also been very illuminating in identifying 'moments of truth' that our clients experience with us – moments that stay in their memory banks and make a real difference to their relationship with us. We are delighted to report that the majority of these have been very positive but we are also committed to ensuring that issues raised by clients who have experienced less favourable 'moments' are addressed and prevented from re-occurring in the future.

Future research in 2009 will enable us to measure the impact of our efforts in these critical areas and ensure we remain aligned to clients' expectations in the current economic climate.

Further testament to client sentiment is reflected in the following awards that we have been privileged to receive during the course of 2008:

- 'Best Wealth Manager 2008' and 'Best Income Fund Manager 2008' as voted for by readers of the Financial Times and Investors Chronicle magazine
- 'Wealth Manager of The Year' in 2007 and 2008 voted by readers of the Daily Telegraph

Finally, we were also awarded 'Britain's Most Admired Company 2008' in the Life Assurance & Insurance category, at the Management Today awards, as voted for by our peers and competitors.

Community Activities

St. James's Place recognises that we have a responsibility to help build strong and healthy communities in the areas that 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.

Highlights from our community activities include:

Employee Volunteering
We operate an Employee Volunteering Scheme which supports St. James's Place employees wishing to volunteer in schools, charities or local community groups. Under the Scheme, employees can take time off work to work with charities and other organisations in their local communities. During 2008 employees in Cirencester were involved in a number of activities for local charities and organisations, including The Cirencester Housing Society, The Encephalitis Society and Friends of Young Carers.

Cirencester Church
We entered into a partnership arrangement with the Trustees of the beautiful Cirencester Parish Church to help them to raise funds for the much-needed restoration programme. Under the scheme, St. James's Place will match funds raised by the Church in local fundraising activities up to a limit of £50,000 per year. We very much hope this will encourage the local community to support the restoration programme.

Cirencester College
In 2008, the Department for Education and Skills (DfES) awarded Cirencester College the title of top Tertiary and General Further Education College in the country. 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 eight, all designed for students who aspire to work in a particular market sector. The most relevant academies to St. James's Place are Finance, Marketing, IT and Law. Our support takes various forms, including personal mentoring from a business coach, a six-week paid summer internship, student visits to our premises, various college-based presentations, Academy awards sponsorship and representation on the various Academy Boards. We have also employed four Academy students as a direct result of our relationship.

Young Gloucestershire
Young Glos is a leading voluntary youth organisation delivering high-quality programmes and training for vulnerable young people. In 2008, we have helped Young Glos to set up a drop-in centre for young people in South Cerney, in partnership with the local Parish Council. Some of our employees also provided advice to the Trustees of the organisation on topics such as employment issues and risk management.

CCP Christmas Hamper Scamper event
CCP provide a range of crisis and preventative services to improve the lives of children, families and vulnerable adults across Gloucestershire. The Hamper Scamper is a Christmas giving scheme, providing food hampers and gifts for disadvantaged people. CCP experienced their most successful year ever with St. James's Place's help. 225 goody bags, 178 luxury food hampers and 225 presents were distributed in total, 115 of which were donated by St. James's Place employees along with £450 in donations. Due to the success of the scheme in Gloucestershire we are looking into the feasibility of expanding the scheme to a national basis by donating to similar charities which are local to each of our offices in 2009.

Loughborough Swimming Programme
St. James's Place also sponsors the UK's top-ranked swimming programme, Loughborough University Swimming. The support will help the team in a number of ways, but will primarily safeguard the existing swimming programme allowing the squad to enhance its current performance and receive additional coaching in the period up to the Olympic Games in 2012. During 2008, twelve Loughborough swimmers successfully qualified and competed at the Beijing Olympics where a number of National and European records were set and two medals were won. St. James's Place will continue to provide sponsorship as the team turns its focus to London 2012.

Environment

We remain committed to managing the Company in a way that takes account of our environmental impact. During 2008 we continued to introduce changes and investigate alternative options, to improve our environmental performance. We recognise that we all have a responsibility to contribute towards managing the effects of climate change by taking a responsible approach to business activities.

We measure our environmental data from October to September, which allows sufficient time for the data to be collated, in particular from some of our third party providers who produce data from billing processes. This data is used to provide the information for inclusion in this Report.

Environmental Data

The table on the following page summarises our CO_2 footprint for the years 2006/7 and for 2007/8 produced from our core business activities.

For consistency purposes we have produced comparable figures across the core business activities which produce greenhouse gases. These have been presented as tonnes of CO_2 per category and measured on a full time occupant basis to give percentage changes between 2006/7 and 2007/8.

As expected, our consumption of gas and electricity has increased following the move in early 2008 from six small buildings to a larger, purpose built new air-conditioned head office in Cirencester, increasing the space available by 73%.

During the course of the year, we changed our energy consultant company to G.S. Hall who now provide a service to monitor and process our gas, electricity and water consumption. Gas has increased by 21% and electricity has increased by 7% based on a full time occupancy measure. Our fuel management systems provide fuel usage figures, which are added to mileage expense claims to obtain annual mileage figures. This, along with rail and air mileage is converted into a CO_2 figure attributable to travel, which in 2007/8 has reduced by 9% from 2006/7, which is mainly explained by less vehicle mileage set off against increased rail travel.

We are particularly pleased with an 18% reduction in the amount of waste going to landfill. This has primarily been achieved from the improved recycling systems in place at the new head office, where all under-desk bins were removed at the beginning of 2008 and replaced with centralised recycling bins for plastics, paper, cardboard and cans. Paper recycled amounted to 30 tonnes while cardboard, plastics and cans increased the total amount recycled at Head Office by a further 5 tonnes. The programme was such a success that towards the end of the year we started implementing similar schemes in the office locations. By the end of December 2008 we had implemented the scheme in 25% of our locations and we completed the rollout in our solely occupied buildings by the end of February 2009. In the multi-tenanted buildings we occupy, we are working with our landlords to see how we can secure space for the external recycling bins to reduce waste going to landfill in these offices as well. These improved recycling facilities have ensured that we have increased the amount of paper recycled by 11% to 162 tonnes for 2007/8 on a full time occupant basis.

During the year we changed all of our marketing print material to either Forestry Stewardship Certified (FSC) or Programme for the Endorsement of Forest Certification (PEFC) accredited stock, and are moving a proportion of our literature to uncoated printed material as well as reducing products printed with matt lamination and spot UV. We also introduced the use of 100% recycled branded copy paper throughout all of our offices in 2008.

CO_2 Emissions

The table below summarises our CO_2 footprint for the years 2006/7 and for 2007/8 produced for our core business activities.

	2006/7 Tonnes CO_2	2006/7 CO_2 Per FTO	2007/8 Tonnes CO_2	2007/8 CO_2 Per FTO	% Change in CO_2 per FTO
Electricity	1739	1.386	2011	1.485	+7%
Gas	409	0.326	537	0.396	+21%
Total Energy	2148	1.712	2548	1.881	+10%
Business Travel	1356	2.169	1269	1.973	- 9%
General Waste (Landfill)	265	0.211	234	0.173	-18%
	Tonnes	**Tonnes Per FTO**	**Tonnes**	**Tonnes Per FTO**	**% Change per FTO**
Recycled Paper	135	0.107	162	0.119	+11%
	Cubic Meters	**Cubic Meters Per FTO**	**Cubic Meters**	**Cubic Meters Per FTO**	**% Change per FTO**
Water Usage	6766	5.396	7818	5.774	+7%

Notes:
1.FTO – Full time occupant
2.FTO figures for electricity, gas and travel include all occupants of St. James's Place Offices. FTO figures for travel only relate to those to whom St. James's Place pays travel expenses directly and are staff related.

Engagement with Third Parties

For the second year running, St. James's Place has taken part in the carbon disclosure project (CDP6) which is a global initiative to inform investors of the risks and opportunities presented by climate change. It provides the investment community with information on companies' greenhouse gas emissions and climate change management strategies. We continue to be a member of Business in the Community (BITC), and have engaged with them during the year to discuss other ways in which we might target changes to improve our environmental performance.

New Head Office Building

Our new head office in Cirencester, which has now been fully occupied for a year following our move from several smaller offices in the town, has received a rating of 'Good' with BREEAM (Building Research Establishment Environment Assessment Method). St. James's Place was also placed as 'Regional Winner Corporate' for South of England and South Wales in the 2008 British Council for Offices Awards. It was awarded for technical standard which reflect BCO specifications.

The new head office building in Cirencester.

In particular the optimum ceiling height with full glazing delivers outstanding natural light and timber brise soleil manages solar gain and glare. The building uses advanced heat recovery technology to increase efficiency of the heating and cooling of the building and there was a further emphasis on using and sourcing natural materials throughout including limestone, timber and granite. Added to this is more efficient high frequency lighting which switches off if no movement is detected after a pre-determined time.


The Street inside the new head office building

Environmental Projects

We continue to look at ways to reduce our energy emissions and have engaged with our energy consultants for the purchase of green energy from renewable sources for another two years, which has been supplied to the majority of our offices.

We do however, recognise that we will still generate CO_2 emissions in spite of our efforts and to this extent we continue to engage with the Carbon Neutral Company to offset our emissions. In 2007 we entered into a three year contract with the Carbon Neutral Company to fully offset our carbon footprint, which was verified by the Edinburgh Centre for Carbon Management (ECCM). Two sustainable projects were invested in during 2007; a forestry regeneration project in Snowdonia, Wales and a renewable energy project in Southern India. In 2008 this was increased to include a wind power project in Turkey and a hydro power project in Sichuan Province, China.

Further details of these projects are set out below:

Forestry: Mynydd-Y-Garnedd, Wales
Right in the heart of Snowdonia, Mynydd-Y-Garnedd will link two existing National nature reserves through a 'new native woodland'. Mynydd-Y-Garnedd has been designed to grow from a combination of natural regeneration and new planting.

Wind: Sebenoba-Karakurt Wind Power Project
This project sees the construction of 21 new wind turbines at two sites in Turkey. By providing renewable energy, the project reduces Turkey's reliance on fossil fuels for electricity supply. The project aims to generate emission reductions of 127,000 tonnes CO_2 equivalent between 2007 and 2009, certified and verified to the Voluntary Carbon Standard.

Wind: Tirunelveli Wind Power Generation
This project sees the construction of 22 new wind turbines in India. By providing renewable energy, the project helps to reduce India's reliance on fossil fuels for electricity generation. The project has generated emissions reductions of 47,000 tonnes CO_2 between 2005 and 2007, verified to the Voluntary Carbon Standard.

Hydro: Sichuan Province Hydro Power Project
This project bundles four small run-of-river hydro power stations in Sichuan Province, western China. The project displaces electricity generated by fossil fuel power plants and will generate emission reductions of an estimated 360,000 tonnes CO_2 equivalent between 2006 and 2012, certified and verified to the Voluntary Carbon Standard.

eTree Electronic Communication

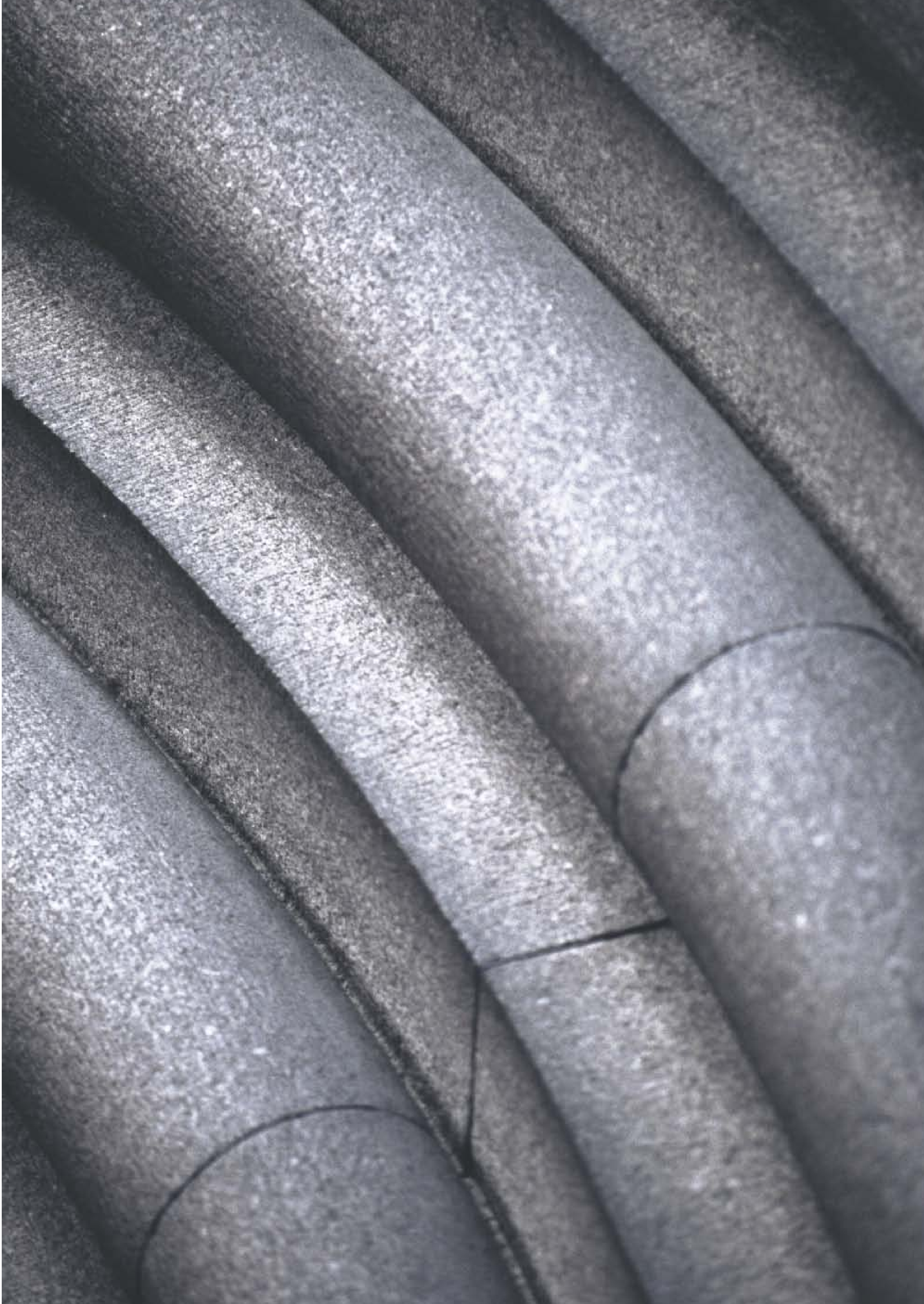
We are signed up to eTree – a programme designed to encourage shareholders to receive electronic communications in order to save paper and reduce the impact on the environment. The scheme is run in association with the Woodland Trust 'tree for all' campaign and for every shareholder that registers to receive their information electronically, a sum is donated on the shareholder's behalf to an area selected for re-forestation in the UK by the Trust. During 2008 we ran a further appeal to those shareholders not already receiving electronic communications, to opt into the scheme. Further details of the scheme can be found at www.etreeuk.com

Going Forward in 2009

Areas of activity for the year ahead include the following:

- Reduce printed literature by increasing electronic access to information and being more creative with printing requirements;
- Increase our recycling strategy into more office locations to reduce general waste going to landfill;
- Reduce the amount of business travel being undertaken where possible, by looking into alternative ways to conduct business, for example by greater use of video conferencing;
- Investigate whether improvement can be made to BMS control systems to make heating and cooling systems more efficient and reduce energy wattage;
- Engage further with our employees and the Partnership to encourage energy efficiency within our office base; and
- Reduce the overall amount of energy used per full-time occupant within our office base.

A full environmental report is produced annually on our website at www.sjp.co.uk, where our environmental policy can also be found.



President and Board of Directors

Sir Mark Weinberg (77) (I) President
Sir Mark founded the St. James's Place Group with Mike Wilson in 1991 and was Chairman of the Company until September 2004, when he resigned from the Board and was appointed President of the Company. He chairs the Investment Committee. Sir Mark originally practised as a barrister and was formerly Deputy Chairman of the Securities and Investments Board, the forerunner to the Financial Services Authority. He is Chairman of the Pension Corporation and of Synergy Insurance.

The current Directors of the Company are:

Mike Wilson (65) (N) Chairman
Mike has worked in the financial services industry since 1963 and founded the St. James's Place Group with Sir Mark Weinberg in 1991. He was Chief Executive until September 2004 when he became Chairman. Mike is a trustee of the St. James's Place Foundation and member of the Nominations Committee. He was formerly Chairman of the Mental Health Foundation and a non-executive director of Vendôme Luxury Group plc between 1993 and 1998.

Sarah Bates (50) (I) (R) Non-executive Director
Sarah joined the Board as an independent non-executive Director in September 2004 and is a member of the Investment and Risk Committees. She is a director of various listed investment trusts and a strategic investment adviser to the Merseyside and East Riding Pension Funds. Sarah is Chairman of the 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 charitable investment committees and recently became a member of the Investment Committee of the Daily Mail & General Trust pension scheme. She has a law degree from Trinity Hall, Cambridge and an MBA from the London Business School.

David Bellamy (55) Chief Executive
David joined the Company in April 1991, was appointed to the Board in September 1997 and became Chief Executive in May 2007. He has previously fulfilled a number of roles at St. James's Place including 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.

Steve Colsell (44) Non-executive Director
Steve was appointed to the Board as a non-independent non-executive Director on 30 January 2009 to represent Lloyds Banking Group plc. He is Finance and Strategy Director of Wealth and International at Lloyds Banking Group. Steve joined HBOS in 2006 as Finance Director, Insurance & Investment and prior to that, held a number of senior finance and strategy roles in the life, general insurance and consumer finance sectors. Steve is a graduate of Imperial College, London and a Fellow of the Institute of Actuaries.

Andrew Croft (44) (I) Finance Director
Andrew joined the Company as Financial Accountant in 1993 and following several promotions, was appointed as Finance Director in September 2004. He qualified as a Chartered Accountant at PriceWaterhouseCoopers in 1988 and has a degree in Accounting and Economics from Southampton University. He is a member of the Investment Committee and a trustee of the St. James's Place Foundation.

Jo Dawson (46) Non-executive Director
Jo was appointed to the Board as a non-independent, non-executive Director on 31 May 2006 to represent HBOS plc, now Lloyds Banking Group plc. She is Wealth and International Director and a member of the Lloyds Banking Group Executive Committee. Prior to that she was Chief Executive of Retail Distribution, Insurance and Investment at HBOS plc. Jo is a graduate of Cambridge University and has an MBA from Warwick Business School. She was formerly a member of the Board of the Association of British Insurers.

Ian Gascoigne (52) Sales Director
Ian was appointed to the Board as Sales Director in January 2003 and has worked in financial services since 1986. Ian joined the Company in December 1991 and was appointed to the Board of St. James's Place UK plc in 1997. He has a degree from Lancaster University and an MA from Leicester University and is also a trustee of the St. James's Place Foundation.

David Lamb (52) (I) Business Development Director
David joined the Company in 1992 with responsibility for the finance department. More recently he has had responsibility for developing the Group's Wealth Management proposition and fund management range and was promoted to the position of Business Development Director in December 2001 and to the Board in December 2007. David is a graduate of City University, London and a Fellow of the Institute of Actuaries. He is also a member of the Investment Committee.

Derek Netherton (64) (Rem) (A) (N) Non-executive Director
Derek is an independent non-executive Director and joined the Board in May 1996. He chairs the Audit Committee and is a member of the Remuneration and Nominations Committees. Derek is Chairman of Greggs plc and has held non-executive director positions with Next plc and Hiscox plc. He is a Fellow of the Institute of Actuaries and was formerly a director of J. Henry Schroder & Co Limited.

Mike Power (51) (R) (A) Non-executive Director
Mike joined the Board as an independent non-executive director in May 2005. He chairs the Risk Committee and is a member of the Audit Committee. He has worked at the London School of Economics and Political Science since 1987 and is currently Professor of Accounting and a Research Director of the ESRC Centre for Analysis of Risk and Regulation. Mike is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate of the UK Chartered Institute of Taxation. He sits on the risk management committee of the London School of Economics and lectures and writes on risk management, regulation and compliance issues.

Michael Sorkin (65) (I) (Rem) (N) (A) Senior Independent Director
Michael was appointed to the Board as an independent non-executive Director in January 2002 before becoming Senior Independent Director in May 2005. Michael chairs the Remuneration and Nominations Committees and is a member of the Audit Committee. He joined Hambros Bank in 1968, was a director of Hambros plc between 1986 and 1999 and Managing Director of S G Hambros from 1999 to 2001. He is Vice Chairman of Investment Banking at N M Rothschild Corporate Finance Limited and a former non-executive director of J Z Equity Partners plc.

Roger Walsom (55) (R) (Rem) Non-executive Director
Roger was appointed to the Board as an independent non-executive Director in July 2005 and is a member of the Risk and Remuneration Committees. After several years in the financial services industry, he graduated in law from Southampton University and qualified as a solicitor in 1980 with a City law firm. He became a partner at Ashurst, another leading City law firm, in 1988, specialising in the financial services industry. He retired as a partner in April 2005 but continues to work as a consultant to Ashurst. He is a director of INVESCO Income Growth Trust plc and was formerly a non-executive director of the Pensions Regulator.

Ages correct as at 23 February 2009.
(I) – Member of the Investment Committee
(R) – Member of the Risk Committee
(Rem) – Member of the Remuneration Committee
(N) – Member of the Nominations Committee
(A) – Member of the Audit Committee

Directors' Report

The Directors present their Report & Accounts of the Company for the year ended 31 December 2008.

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 58 to 63
Performance and development during the year and position at the end of the year	Chief Executive's Statement on pages 6 to 8 and the Financial Commentary on pages 10 to 22
Information on likely future developments	Chief Executive's Statement on page 8 and the Financial Commentary on pages 13,17,18,21 and 22
Directors' and Officers' Indemnity and Insurance	The Corporate Governance Report on page 49
Financial and non-financial KPIs	Key Performance Indicators on page 3
Environmental, employee and social community matters	The Corporate Social Responsibility Report on pages 24 to 36

Results and Dividends

The consolidated income statement is on page 81 and profit for the financial year attributable to equity shareholders amounted to £67.1 million. An interim dividend of 1.84 pence per share (2007: 1.75 pence per share) was paid on 17 September 2008. The Directors recommend that shareholders approve a final dividend of 2.55 pence per share (2007: final dividend of 2.55 pence per share) to be paid on 13 May 2009 to shareholders on the register at the close of business on 6 March 2009.

A resolution to renew the Directors' authority to offer a scrip dividend will be put to the shareholders at the forthcoming Annual General Meeting.

Status of Company

The Company is registered as a public limited company under the Companies Act 1985.

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 is given in the Chief Executive's Statement on pages 6 to 8.

Post Balance Sheet Event

The Company's ultimate parent company, HBOS plc, was acquired by Lloyds Banking Group plc on 19 January 2009.

Substantial Shareholders

The Company is aware of the interests of the following companies in 3% or more of the ordinary issued share capital of the Company as at 23 February 2009:

HBOS plc: 288,670,108 (60.19%)
BlackRock Investment Management (UK) Limited: 21,863,355 (4.55%)
Newton Investment Management Limited: 14,703,170 (3.07%)

Details of the relationship agreement betwen HBOS plc (now a subsidiary of Lloyds Banking Group plc) and the Company are set out on page 50.

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

The Company's issued and fully paid up share capital at 31 December 2008 was 479,552,860 ordinary shares of 15p 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 122.

The 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.

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.

Restrictions on voting rights

Proxy forms 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.

Also, 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 shall 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 per cent of their class any dividend payable in respect of the shares shall 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 shall be registered.

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 meeting. This also applies to the Directors allotting equity securities otherwise than in accordance with statutory pre-emption rules.

Directors

Brief particulars of the Directors' membership of the Board Committees are contained in the Corporate Governance Report on pages 51 to 54. Details of the Company's rules regarding the appointment and replacement of Directors are contained in the Company's Articles of Association.

Steve Colsell was appointed to the Board on 30 January 2009. Pursuant to the Articles of Association of the Company Steve will retire at the forthcoming Annual General Meeting and offer himself for re-election. As reported in last year's report and accounts, Simon Gulliford resigned as a non-executive Director on the 7 February 2008. Andy Hornby resigned as a non-executive Director on 16 January 2009.

Pursuant to the articles of association, all those Directors who were elected or last re-elected at or before the Annual General Meeting held in 2006 shall retire from office by rotation. The Directors retiring by rotation at the AGM are Ian Gascoigne, Mike Power and Roger Walsom. Derek Netherton will also be seeking annual re-election to meet corporate governance guidelines applicable to his length of service on the Board.

Further details on the background of those Directors seeking re-election are set out in the Directors' biographies on pages 38 to 40 and in the Notice of the Annual General Meeting. The Chairman is pleased to confirm that those 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 their roles.

Except as stated in the Remuneration Report, no Director has, or has had during the year under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries pursuant to the Listing Rules published by the FSA and the Companies Act. Details of all executive Directors' service contracts are set out in the Remuneration Report on page 69.

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 of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans 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 Confederation of British Industry Better Practice Payment Code on supplier payments. SJPMS's average number of days purchases outstanding in respect of trade creditors at 31 December 2008 was 20 days (2007: 16 days).

Charitable and Political Donations

Charitable contributions to the St. James's Place Foundation during the year totalled £1,040,752 (2007: £1,080,382). A list of charitable donations made by the Foundation, together with a report which outlines the basis on which priorities for donations have been established, is available on request. Further details on the Foundation are included in the Corporate Social Responsibility Report on pages 24 to 27. Contributions during the year to other charitable organisations totalled £80,000.

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 (2007: Nil).

Employees

The Company is committed to providing equal opportunities for all people in recruitment, training and career development and has regard for people's aptitudes and abilities. The Company will not tolerate discrimination on the grounds of race, religion, marital status, age, gender, sexual orientation or disability. The Company's recruitment process seeks to find candidates most suited for the job. The Company respects the dignity of individuals and their beliefs and does not tolerate any sexual, racial, physical or mental harassment of staff in the workplace.

It is the Company's policy that disabled persons should be given the same opportunity for training, career development and promotion, as other employees. In the event of employees becoming disabled, every effort is made to maintain the employee's employment and suitable retraining is offered, if appropriate. Full and fair consideration is given to applications for employment from disabled persons.

Further details of the Group's approach to employee involvement, training, development and communication can be found in the Corporate Social Responsibility Report on pages 27 to 30.

Change of Control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid. None is considered to be significant in terms of their potential impact on the business as a whole as all agreements are entered into in the ordinary course of business and are on arm's length commercial terms.

Annual General Meeting

The Company's Annual General Meeting will be held on 30 April 2009 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 2008, 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 2009 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 referenced to on page 41. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Commentary on pages 10 to 22. In addition the Notes on pages 107 and 114 and the Risk and Risk Management section on pages 58 to 63 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 20 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 despite the current uncertain economic outlook.

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.

Auditors

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

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are individually unaware of; and
- The Director has taken all the steps that he/she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234 ZA of the Companies Act 1985.

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution that they be re-appointed until the end of the 2010 Annual General Meeting will be put to shareholders at the Annual General Meeting on 30 April 2009.

Directors' Responsibility Statement

The Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with International Financial Reporting Standards and European Embedded Value principles as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation taken as a whole; and
- Pursuant to Disclosure and Transparency Rules Chapter 4, the Directors' report includes a fair review of the development and performance of the business, and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

On behalf of the Board

D Bellamy	A Croft
Chief Executive	Finance Director

23 February 2009

Corporate Governance Report

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

The Financial Services Authority requires listed companies to disclose, in relation to section 1 of the Combined Code on Corporate Governance (the "Combined Code") how they have applied its principles and whether they have complied with its provisions throughout the accounting year. St. James's Place is committed to high standards of Corporate Governance and supports the principles set out in the Combined Code. The Board considers that the Company has achieved compliance with all the provisions of the Combined Code throughout the financial year except in respect of provision A.3 of the Code.

The Board currently comprises an executive Chairman, four executive Directors, five independent non-executive Directors and two non-independent non-executive Directors appointed by the Company's largest shareholder Lloyds Banking Group plc. During the year, Simon Gulliford resigned as an independent non-executive Director resulting in the Company no longer being able to comply with provision A.3 of the Code.

Since the resignation of Simon Gulliford from the Board in February 2008, the Nominations Committee of the Board has been seeking to identify candidates to enable the Board to appoint an independent non-executive Director to replace Simon Gulliford. A job specification was prepared and a firm of recruitment consultants with experience of recruiting non-executive candidates was appointed. Several candidates have been identified and interviewed as part of the process but, to date, the Nominations Committee have not identified a candidate who they feel is suitable to recommend to the Board as an additional independent non-executive Director. In addition, the search for suitable candidates was affected in 2008 by the uncertainty caused by the doubts surrounding the financial strength of the Company's major shareholder, HBOS plc, and (more recently) the acquisition of HBOS plc by Lloyds TSB to form the Lloyds Banking Group and the impact this might have on the 60% shareholding in the Company. Now that the acquisition has been completed, the Nominations Committee is more confident that a suitable independent non-executive Director can be identified to replace Simon Gulliford and the aim of the Nominations Committee is to recommend suitable candidates to the Board as soon as possible.

The Board

The Board is responsible for providing entrepreneurial leadership and direction to the Company and is custodian of the Company's strategic aims, vision and values. The Board ensure controls are in place to deliver value to shareholders and the wider community of individuals and organisations which benefit from the Company's activities. The Board also assesses whether the necessary financial and human resources are in place to enable the Company to meet its objectives.

The Board met seven times during the year, with additional meetings arranged on an ad hoc basis as required. During 2008 there were six formal Board meetings plus an additional all day strategy meeting. A table containing the Directors' attendance at Board meetings can be found on page 49.

In advance of each meeting, all members are supplied with an agenda and pack containing reports on current trading, sales, 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 meeting and copies of Board Committee minutes are included in the packs for information purposes.

The Board has a formal schedule of matters specifically reserved to it - a copy of which can be found in the Corporate Governance section of the corporate website. The primary responsibilities of the Board 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.

The Company has developed a Board Control Manual which sets out the primary policy and decision-making mechanisms within the Company. The manual contains the terms of reference of the various sub-Committees of the Board as well as the Company's risk policies. 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 manual is reviewed and updated by the Company Secretary and circulated to the Board annually.

The Roles of the Chairman and Chief Executive

The division of responsibilities between the Chairman of the Board, Mike Wilson, and the Chief Executive, David Bellamy, is clearly defined and has been approved by the Board. No single individual has unfettered powers of decision making. The Chairman is responsible for ensuring the continued effectiveness of the Board and communication with shareholders. He also liaises with senior members of the Partnership and acts as a sounding board to the senior management team, where appropriate. The Chief Executive's primary responsibility is to manage the Company via the executive management team and implement the strategies adopted by the Board.

Directors and Directors' Independence

As mentioned above, the Board comprises an executive Chairman, five independent non-executive Directors, two non-independent non-executive Directors and four executive Directors. Simon Gulliford resigned as a non-executive Director in February 2008 and, as stated previously, the Nominations Committee is in the process of seeking to identify a new independent non-executive Director for appointment to the Board as soon as possible.

Andy Hornby resigned as a non-executive Director on 16 January 2009 following his resignation from the Board of HBOS plc and was replaced on the Board by Steve Colsell on 30 January 2009, pursuant to the Relationship Agreement with HBOS plc. Steve Colsell's biographical details are included in the Directors' biographies on page39.

The quality of the individual Directors and the Board's composition is a key contributor to the Board's effectiveness. Committee membership is kept under review to ensure gradual refreshing of skills and experience. The Board is satisfied that all Directors have sufficient time to devote to their roles and that it is not placing undue reliance on key individuals.

When determining whether a non-executive Director is independent, the Board considers individually for each non-executive Director whether they are independent in character and judgement. Other criteria include how they conduct themselves in Board meetings, whether they have any relationships or other circumstances which are likely to affect, or could appear to affect, their judgement, and whether they act in the best interests of the Company and its shareholders at all times.

Derek Netherton has served on the Board for more than nine years which is a relevant factor in the consideration of his independence. The Board has considered this point with particular care. Derek continues to demonstrate independence of mind and contributes significantly through his individual skills and extensive knowledge of the financial services sector at Board and Committee meetings. He questions and constructively challenges management as and when he considers it appropriate. His financial and actuarial knowledge is particularly helpful in connection with his role as Chairman of the Audit Committee and the Board does not believe that it is in the interests of the Company to replace Derek Netherton with a further independent non-executive Director at the present time. This matter is subject to annual review by the Board (with the assistance of the Nominations Committee). The terms and conditions of appointment of the non-executive Directors are available on request and will be available at the Annual General Meeting in April 2009.

The Senior Independent Director

Michael Sorkin is the Senior Independent Director. Michael 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.

Induction and Continuing Professional Development

On joining the Board, Directors are given a pack of documents detailing the main activities of the Group and are provided with an appropriate induction programme. The programme includes an opportunity to meet with senior management, Partners and visit office locations around the country. Ongoing training is provided to Directors on a rolling programme coordinated by the Company Secretary. During 2008 a number of non-executive Directors attended location meetings and the Double Partner Development Conference, where they received presentations on the business and had an opportunity to meet with Partners and staff. Non-executive Directors are briefed on the views of major shareholders at Board meetings and have an opportunity to meet with shareholders as necessary.

Company Secretary

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 applicable to their roles. Topical issues are addressed prior to each Board meeting. For example, the Board has been updated during the year by the Company Secretary on the new Directors' duties and the new rules on conflicts of interest set out in the Companies Act 2006. The Company Secretary also presented the results of the 2008 staff survey as well as the implications of the FSA's Retail Distribution Review.

Board Evaluation

During the year, the Chairman met each non-executive Director on a one-to-one basis and held meetings with the non-executive Directors collectively. Issues discussed included topics for pre-Board presentations, training requirements for non-executive Directors and results of the performance evaluation of the Board. The non-executive Directors, led by the Senior Independent Director, also met without the Chairman present to appraise the Chairman's performance and to discuss other topical issues such as succession plans and the overall performance of the Board. The Senior Independent Director carried out a formal appraisal of the Chairman's performance.

The Board carried out an annual evaluation of its own performance, including its Committees and individual Directors. The Board evaluation was carried out by the Company Secretary, who conducted interviews with each member of the Board. The findings were presented to the Board and a number of improvements made such as ensuring more information is provided in Board packs on competitor activity, stress testing and scenario planning.

Board Committees

The Board has formally constituted six Committees, being the Audit, Investment, Nominations, Remuneration, Risk and Urgent Issues Committees. The membership and terms of reference of the Committees are reviewed at least annually and are available on the Company's website (www.sjp.co.uk) or on request from the Company.

Attendance at Meetings

The attendance by individual directors at Board and Committee meetings during the year ended 31 December 2008 was as follows:

	Board (7 meetings)	Risk (5 meetings)	Audit (5 meetings)	Remuneration (3 meetings)	Nominations (2 meetings)	Investment (7 meetings)
Sarah Bates	7	4	-	-	-	7
David Bellamy	7	-		-	-	-
Andrew Croft	7	-	-	-	-	7
Jo Dawson	4	-	-	-	-	-
Ian Gascoigne	7	-	-	-	-	-
Andy Hornby	5	-	-	-	-	-
David Lamb	6	-	-	-	-	7
Derek Netherton	7	-	5	3	2	-
Mike Power	6	4	5	-	-	-
Michael Sorkin	7	-	5	3	2	6
Roger Walsom	7	5	-	1(1)	-	-
Mike Wilson	7	-	-	-	2	-

Figures in brackets indicate the maximum number of meetings in the period in which the Director was a Board or Committee member. David Bellamy and Ian Gascoigne attend Risk Committee meetings. Mike Wilson and David Bellamy attend Remuneration Committee meetings as required. Andrew Croft and David Lamb attend all Investment Committee meetings, whilst Andrew Croft attended all Audit Committee meetings during the year. Steve Colsell also attended all Audit Committee meetings during the year as the HBOS representative in accordance with the Relationship Agreement with HBOS plc.

Directors' and Officers' Indemnity and Insurance

The Company has taken out insurance covering Directors and officers against liabilities they may incur in their capacity as Directors or officers. All members of the Board and other senior employees who act as Directors of subsidiary companies are each granted indemnities from the Company 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 of the Company or its subsidiaries. Copies of the indemnities are available to shareholders upon request.

Procedures to Deal with Directors' Conflicts of Interest

At the 2008 AGM, shareholders amended the Articles of Association to include provisions for dealing with Directors' conflicts of interest as permitted under the new Companies Act 2006. During the year, procedures were 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 may arise. Under the procedures, 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 also involves keeping detailed records and Board minutes in respect of authorisations granted by the Board and the scope of approvals given. Regular reviews of conflict authorisations will be undertaken by the Board, at least annually.

Relations with Shareholders

The Board maintains close relationships with institutional shareholders through dialogue and frequent meetings. The Company also meets regularly with JPMorgan Cazenove who facilitate meetings with investors and their representatives. Attendance notes from each meeting are circulated to members of the Board to enable them to be aware of the views and opinions of major shareholders. The Senior Independent Director is available for consultation with shareholders and other non-executive Directors are also available to meet with major shareholders on request.

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 and on 16 January 2009, HBOS plc was acquired by Lloyds TSB Bank plc, which has 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. 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, at the date of this report, LBG has appointed two non-executive Directors to the Board, being Jo Dawson and Steve Colsell.

Urgent Issues Committee

The Urgent Issues Committee comprises the Chairman and at least two other Directors, one of whom must be a non-executive Director. The role of the Committee is to make decisions on matters of urgency which cannot await the next meeting of the Board. It can act only by unanimous decision. If this cannot be reached, the issue under consideration will be referred for decision to the full Board. The Committee did not meet during the year.

Nominations Committee

The Nominations Committee comprises independent non-executive Directors and the executive Chairman. The members of the Committee who held office during the year and at the date of this report are:

- Michael Sorkin (Chairman)
- Simon Gulliford (to February 2008)
- Derek Netherton (from February 2008)
- Mike Wilson

Duties

The Committee is responsible for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise. Before an appointment is 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. To assist in finding suitable candidates from a wide range of backgrounds, the Committee uses the services of an external search consultancy from time to time.

The terms of reference that set out the Committee's role and authority can be found on the corporate website.

Activities

During the year the Committee sought to find a suitable independent non-executive Director to fill the vacancy left by Simon Gulliford. An external search consultancy was used and the Committee continues to evaluate suitable candidates. The search was delayed in the latter half of the year, due to the uncertainty surrounding the acquisition of the Company's largest shareholder, HBOS plc, by Lloyds TSB Bank plc (now called Lloyds Banking Group plc). Now that the acquisition has taken place, the search to find a suitable replacement independent non-executive director is continuing and the Committee hopes to be able to recommend one or more candidates to the Board as soon as possible.

In addition, during the year, the Committee reviewed the succession plans for the Board and senior management and considered plans for identifying in due course a successor for Sir Mark Weinberg, as Chair of the Investment Committee.

Remuneration Committee

The Remuneration Committee comprises solely independent non-executive Directors. The members of the Committee who held office during the year and at the date of this report are:

- Michael Sorkin (Chairman)
- Simon Gulliford (to February 2008)
- Derek Netherton
- Roger Walsom (from February 2008)

Duties
The Committee is responsible for determining all remuneration levels for executive Directors and senior management as well as reviewing the performance of Directors and senior management against bonus and incentive schemes. The Committee also determines the policy and performance conditions for all incentive schemes and, when setting conditions, looks to encourage enhanced performance wherever possible. In the event of a termination of a Director's or senior manager's service contract, the Committee will review and determine the scope of the 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 64.

Investment Committee
The members of the Committee who held office during the year and at the date of this report are:

- Sir Mark Weinberg (Chairman)
- Sarah Bates
- Andrew Croft
- David Lamb
- Michael Sorkin

Various members of the Asset Management team and advisers from Stamford Associates were invited to attend meetings during the year.

Duties
The Committee's main responsibilities include overseeing the Company's investment management approach, monitoring the performance and suitability of the fund managers and whether that 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. The Committee also evaluates market risk and considers and makes recommendations in relation to the appointment and the continued effectiveness of the investment consultant.

Activities
The Committee monitored the Company's investment managers during the year and focused on specific manager issues that arose. Face to face reporting sessions were held with each manager providing the Committee with the opportunity to cross examine them in respect of their investment style and decision-making. In addition, the Committee considered the Investment Manager Report from Stamford Associates as well as changes to the fund offering, including proposals to launch a new investment grade Corporate Bond fund. A number of investment mandates for products were also considered.

The Committee also considered feedback provided by St. James's Place Partners attending the Double Partner Conference on the choice of fund managers. Feedback of this nature is useful and invaluable to ensure the Committee remains in touch with the views of Partners across the business.

More details on the work of the Committee can be found in the 'Report of the Investment Committee 2008', which can be obtained by contacting the Company.

Audit Committee

The members of the Committee who held office during the year and at the date of this report are:

- Derek Netherton (Chairman)
- Mike Power
- Michael Sorkin

All members of the Audit Committee are independent non-executive Directors who have considerable financial experience. Biographies for each Director can be found on pages 38 to 40. Attendees at meetings during the year included the Finance Director, the Risk Director, members of the Internal Audit and Risk Management teams and members of the KPMG audit team. Steve Colsell also attended meetings as the representative of HBOS plc.

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 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 to ensure that the financial and non-financial information supplied to shareholders provides a balanced assessment of the Company's position.

Other duties include maintaining an appropriate relationship with the Company's external auditors, reviewing the nature and scope of the work performed by them and the results of their work and the response to management. The terms of reference that set out the Committee's role and authority can be found on the corporate website.

Activities

During the year, a formal review of the draft interim and annual reports and associated announcements was undertaken. These reviews considered the accounting principles, policies and practices adopted in the Company's financial statements and proposed changes where necessary. The Committee also considered significant accounting issues and areas of judgement as well as contingent liabilities and potential tax obligations and contingencies affecting the Company.

The Committee considered the appropriateness and independence of the external auditor and the services provided by them. Areas considered by the Committee in relation to the external auditors included:

- The terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter;
- The overall work plan for the year ahead;
- The external auditor's fees;
- Issues that arose during the course of the audit and their resolution;
- Key accounting and audit judgements; and
- Recommendations made by the external auditors in their management letters and the adequacy of management's response.

In order to maintain the external auditor's independence and objectivity, the Committee has established a financial limit of £100,000 in fees for non-audit related advice and consultancy work by the external audit firm. 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 99. The Committee held a private meeting with the external auditor during the year (independently of management) to review key issues and responsibilities.

Other activities undertaken by the Committee during the year include consideration of the Internal Audit function audit plan. This included reviewing the Company's system of internal financial controls and discussing key findings in relation to the timeliness of management's response and subsequent resolution of any issues.

Committee members received updates from the chair of the Risk Committee on developments at Risk Committee meetings. Committee members also considered and discussed risks identified on the Emerging, Topical & Corporate risk schedules.

The chairman of the Audit Committee is the point of contact for employees making disclosures under the Public Interest Disclosure Act 1998 or 'whistle-blowing' policy. The policy determines that the chairman of the Audit Committee receive, in confidence, complaints in relation to breaches or proposed breaches of the Company's rules, policies or procedures. The Committee reviewed the policy during the year.

The Committee received and considered the Individual Capital Assessment report of the life company, St James's Place UK plc (SJPUK). SJPUK 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.

Risk Committee
The members of the Committee who held office during the year and at the date of this report are:

- Mike Power (Chairman)
- Sarah Bates
- Roger Walsom

All members of the Committee are independent non-executive Directors who have considerable financial risk based experience. Biographies for each Director can be found on pages 38 to 40. Attendees at meetings during the year included the Chief Executive, the Sales Director and the Risk Director. Members of the Internal Audit and Risk Management teams also attended meetings, as did an HBOS representative.

Duties
The responsibilities of the Committee include fostering a culture of effective risk identification and management and reviewing material and emerging risks affecting the Company. The Committee can call for reports from management on how material risks are being managed and annually reviews the procedures for the identification, recording and mitigating of material risks and where necessary makes recommendations for changes in risk related practices and procedures.

The Risk Appetite Statement and risk policies are reviewed and all material areas of concern or weakness reported to the Audit Committee and the Board. The terms of reference that set out the Committee's role and authority can be found on the corporate website.

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 from the Group Legal Director on risk mitigation in relation to professional indemnity insurance for St. James's Place Partners, an update from management on risk mitigation in training and competence across the business, a review of the business plan for the year ahead and a report from an independent consultancy on the risk management function.

The Committee reviewed and approved the risks identified on the Emerging, Topical and Corporate Risk Schedules as well as the annual Risk Appetite Statement and Internal Audit plan. The Committee also reviewed St. James's Place UK plc's Individual Capital Assessment.

The annual Money Laundering Reporting Officers' report was presented to and reviewed by the Committee. 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 Company. Where appropriate the Committee made suggestions and the report and procedures were duly updated.

One meeting during the year was devoted to the consideration of the implications for clients affected by AIG's decision to close the Enhanced Fund of AIG's Premier Access Bond. The Committee played a valuable role in considering and influencing the Company's response to clients on this issue.

Internal Control

The Directors of St. James's Place plc retain responsibility for the effectiveness of the Group's system of internal control (including, financial, operational and compliance controls) and risk management. 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 Combined Code throughout the financial year and up to the date of approval of the Annual Report and Accounts.

In accordance with the Turnbull Guidance on Internal Control, 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. Adherence to regulatory codes of conduct is 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 systems of internal control including financial, operational, compliance and other risk management systems. 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 on these processes as a result of any changes during the year to the risks that the Group faces.

St. James's Place utilises a number of outsourced service providers to provide administration services to the Company. These services 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) and to confirm that no material control issues have been identified in their operations over the course of the year that would require notification to St. James's Place.

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 control issues of significance 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 cases have been taken forward to the Board by the Chairman of the Audit Committee for noting and 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 and not absolute assurance against material financial misstatement 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 Report and Accounts and the Financial Statements

The directors are responsible for preparing the Report and Accounts and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Principles).

The group financial statements are required by law and IFRSs, as adopted by the EU, to present fairly the financial position and the performance of the group; the Companies Act 1985 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view, are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU;
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect 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.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and the Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Risk and Risk Management

Introduction

The mechanisms for identifying, assessing, managing and monitoring risks are an integral part of our day to day management process. Understanding the risks we face and managing them appropriately enables effective decision making and helps us to achieve our business objectives.

In the following sections we outline the framework for the management of risk in the Group and provide detail on the main strategic risks facing the business and associated management activity which is followed by individual sections focusing on each of the following areas:

- Market Risk
- Credit Risk
- Liquidity & Currency Risk
- Insurance Risk
- Operational Risk

The Risk Management Framework

Risk Appetite Statement

The Board is ultimately responsible for setting the framework within which risk is managed at 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 emerging or topical risk.

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 risk management in relation to the areas of risk that the Group faces. When recording risk we use these categories to help improve understanding of our exposure.

The Risk Committee & Group Risk Function

Overseeing our Risk Management Framework is the Risk Committee – a group 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 and emerging risks. Further information on the Risk Committee is set out on pages 54 and 55.

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 and, importantly, for the consolidation, reporting and, where appropriate, escalation of risk related management information.

Strategic Risks and Uncertainties

Certain risks and uncertainties are inherent within both the Group's business model and the market in which we operate. At the time of preparing this report, the key strategic risks and uncertainties facing the business, and the high level controls and processes through which we aim to mitigate these risks are:

Risk	Description	Management
Economic environment	That a major and prolonged economic downturn and/or stock market crash leads to a failure to meet targets and to a significant underperformance of our business plan.	We closely monitor the achievement of our business plan, the performance of the markets and consumer confidence. Robust management information is used to facilitate this monitoring and to identify early signals of a market decline so we can manage expenses and strategy appropriately.
Distribution capability	That 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, experienced Partners. All recruitment and retention activity is closely monitored.
Investment management approach	That 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.
Outsourcing	That 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 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 considered and scenario analysis carried out.
Competitor activity	That a major and successful new entrant to the adviser-based wealth management market has an impact on the success of St. James's Place's business.	We closely monitor competitor activity and the marketplace for signs of any potential new entrants or threats. 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 St. James's Place's position. Established St. James's Place Partners have significant equity stakes in their practices and these are structured to aid retention.
Culture	That developments in the industry or in the scale of St. James's Place's business have an adverse effect on St. James's Place's culture and ultimately the continuing success of the business.	We have a range of strategic initiatives in place including, for example, regular staff 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.

The following information is an integral part of the audited financial statements. Quantitative financial risk information is contained in Note 27 to the Consolidated Accounts under International Financial Reporting Standards.

Market Risk

Market risk is the impact a fall in equity or other asset values may have on the business. The Group adopts a risk averse approach to market risk with a stated 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. 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. The associated reduction in dividends could also result in the deferral of tax relief on UK life business expenses and indirectly could also be associated with a reduction in the volume of new business sales.

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
New business	Poor performance in the stock market leads to existing and future clients rejecting equity investment.	The benefit of long term equity investment 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 the Group does.
Retention	That adverse market conditions lead to clients withdrawing their funds.	Retention of funds is monitored closely. Currently retention has remained consistently high at 95%.
Tax	In adverse market conditions, when the company is realising investment losses rather than gains, the working of the I-E tax regime can lead to short term capital inefficiencies.	The tax position is monitored closely.
Shareholder funds	That the value of shareholder funds decreases, thereby reducing the capital available to support the business.	Financial assets and liabilities held outside unitised funds primarily consist of low volatility government, supranational fixed interest securities, units in AAA rated money market funds, cash and cash equivalents.
Client liabilities	That as a result of reduction in equity values the Group may be unable to meet client liabilities.	The Group's business is predominantly unit-linked, which mitigates this risk.

Credit Risk

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit. 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 St. James's Place Group Credit Policy and St. James's Place 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.

Risk	Description	Management
Shareholder assets	Loss of assets.	Invested in AAA rated unitised money market funds and deposits with approved banks. 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.	Matched by fixed interest securities with minimum AAA credit ratings; maximum counterparty limits 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	Inability of Partners to repay loans from the business.	The Group has certain guaranteed loans made by Bank of Scotland to St. James's Place Partners. These loans are explicitly or implicitly secured on the future renewals income stream expected from a Partner's portfolio, and loan size varies in relation to the projected future income of a Partner. Outstanding balances are reviewed on a regular basis and support is provided to help Partners manage their business appropriately.

Liquidity Risk & Currency Risk

The Group adopts a risk averse approach to both liquidity and currency risk. The Group is subject to minimal liquidity risk since it maintains a high level of liquid assets; shareholder assets are held in AAA rated money market funds with same day settlement and UK and other government backed debt where the market has remained liquid. The Group actively monitors and manages its liquidity needs and position. The Group is not subject to any significant currency risk since all material 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 not annuity risk.

The Group has a medium appetite for insurance risk, except 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 our reassurance programme determine the level of risk accepted by the Group. The general terms and conditions of the main insurance contracts and the associated 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 Risk

The table below summarises the main risks to which the 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.	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.
Persistency	Loss of product margins due to higher than anticipated lapses.	Monitoring of lapse rates and investigation of unexpected experience.

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 financial and insurance risks described above. The Group has a medium appetite for operational risk except where necessary to support other objectives and seeks to manage it through outsourcing and close management of the Partnership. Operational risks include risks relating to:

- Regulation, information technology, financial crime, business protection, human resources, outsourcing, purchasing, communications and legal contracts and obligations;
- Brand value;
- Product development process;
- Advice, sales management and distribution;
- Financial processes including financial reporting and taxation; and
- External events and developments.

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 risk appetite 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 type of risk as specified in the St. James's Place Risk Management Framework document.

Management of Operational Risk

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

Risk	Description	Management
Advice	That advice given by an individual Partner or authorised by the Group is deemed unsuitable leading to redress costs and potential reputation 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.
Retail Distribution Review	Changes arising from the Retail Distribution Review, particularly in relation to proposals to split the market and implications for advised sales.	Continuing liaison with FSA, trade bodies, professional service firms and relevant peers. Incorporation of reactions to better developed areas (e.g. professionalism) into the Group's normal business planning and operations.
Regulatory censure	That the Group could face regulatory censure should it fail to comply with regulation.	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.
Regulatory and legislative environment	Changes in the wider regulatory, legislative or tax environment 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.

Remuneration Report

The Directors present the Remuneration Report for the financial year ended 31 December 2008 which has been prepared on behalf of the Remuneration Committee (the "Committee") and in accordance with the requirements of the Companies Acts 1985 and 2006. Shareholders will be invited to approve the report at the Annual General Meeting on 30 April 2009. 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 Combined Code on Corporate Governance.

The sections marked with an asterisk ("*") are subject to audit by KPMG Audit Plc.

Summary of Remuneration Policy

The remuneration policy is designed to support and encourage the delivery of the Group's short-term and long-term business objectives. To provide alignment with shareholders, a significant proportion of the remuneration package is delivered in shares and, in addition, the executive Directors are encouraged to build up a shareholding in the Company equal to 100% of base salary. The fixed elements of the remuneration package (salary, pension and fringe benefits) are positioned below the market median.

The Committee reviewed remuneration policy during the year in light of the changing economic environment and the guidance issued by the FSA on balancing risk and incentive pay practices and concluded that the current remuneration policy supported good governance practices and remains appropriate. No changes to the remuneration policy are therefore proposed for 2009. Reflecting the general economic climate, the Remuneration Committee has also determined that no salary increases should be awarded to the executive Directors for 2009, save for David Lamb whose salary has been moved closer to (but still below) the market median in recognition of his performance and development since his appointment to the Board in December 2007.

Role of the Committee

The Committee, on behalf of the Board, determines the remuneration packages of the executive Directors of the Company, including the Chairman. In addition, the Committee monitors the remuneration of the senior management team 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 at least 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 49.

Membership of the Committee

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

Michael Sorkin – Chairman, Senior Independent Director
Derek Netherton
Roger Walsom

Although Derek Netherton has served on the board for more than 9 years, the Board believes him to be entirely independent of management. See page 48 of the Corporate Governance Report for further details.

Simon Gulliford resigned as a non-executive Director of the Company on 7 February 2008 and served as a member of the Committee up to this date when Roger Walsom replaced him on the Committee. Biographical details of the current members of the Committee are set out on pages 38 to 40.

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.

Advisors to the Committee

The Committee has access to detailed external information and research on market data and trends from independent remuneration consultants Hewitt New Bridge Street ("Hewitt"). Hewitt were appointed by the Committee to provide advice and data on executive remuneration, long term incentives and other remuneration issues. Neither Hewitt, nor its parent company, Hewitt Associates Limited have provided any other services to the Company during the year.

The Chairman and Chief Executive are normally invited to attend each Committee meeting to provide information on corporate or individual performance to the Committee. They may also make recommendations regarding the remuneration packages of individual Directors. Such recommendations 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 remuneration or contractual terms are being discussed.

Remuneration Policy

When setting the remuneration policy, the Committee applies the principles set out in Schedule A of the Combined Code and also takes into account best practice guidance issued by its shareholders and the major UK institutional investor bodies. The Committee reviewed the draft recommendations published by the FSA during the year on supporting sound risk management when setting incentive arrangements and reviewed the remuneration policy against the "good" and "bad" practices identified by the FSA. The Committee concluded that in all areas, the Company met or exceeded the FSA's definition of good practice, for example through linking a significant proportion of the remuneration package to the long-term performance of the Company (through the Performance Share Plan awards), setting limits on the maximum annual bonus potential that can be earned by an individual and by requiring a substantial proportion of the remuneration package to be delivered in shares. Therefore, no changes to the remuneration policy were proposed as a result of this review. However, the Committee will continue to review and assess the remuneration arrangements to ensure that they support good governance practices and take account of further guidance issued by the FSA.

The remuneration policy, as approved by the Committee, is designed to ensure that remuneration is sufficiently competitive to attract, retain and motivate executive Directors of sufficient calibre to enable the Group to achieve its business objectives.

The Committee aims to set fixed benefits (salary, pension and fringe benefits) at below the median position for companies of a similar size in the UK financial services market (although a cross check is also made against companies of a similar size in other sectors), with significant annual bonus and long term incentive awards enhancing an executive's potential total remuneration to on or above the median, but only if stretching short term and long term performance targets are achieved. In this way, the Committee aims to incentivise the Directors to achieve above average results compared with competitor organisations. The incentive schemes are designed to be retentive in nature as well as linking the value of an award to movements in the share price, in line with shareholder interests. Based on data provided by Hewitt, approximately 50-55% of the total remuneration of the executive Directors is performance related, except for Mike Wilson, the Chairman, where approximately 40% of his total remuneration is performance related.

The executive Chairman, Mike Wilson, does not participate in the annual bonus scheme. He does participate in the long term incentive scheme (the Performance Share Plan), as this plan focuses on long term value creation (rather than the more operationally focussed annual bonus plan). Any shares in the Company which vest to Mike Wilson will be retained by him until he ceases to be a Director of the Company, less any shares required to meet any tax liability on vesting.

The Committee also 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 £1.78, the value of shares in the Company held by the executive Directors as at 31 December 2008, calculated as a percentage of their base salary, is as follows:

Director	Value as a % of base salary
David Bellamy	313%
Andrew Croft	159%
Ian Gascoigne	236%
David Lamb	219%
Mike Wilson	1280%

Salaries

Salaries are reviewed annually in January, using comparative company data provided by Hewitt. As stated above, the Committee aims to set fixed benefits (salary, pension and fringe benefits) below the median position for companies of a similar size in the UK financial services market (with a cross check with other sectors), 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.

The Committee reviewed the salaries of the executive Directors in January 2009, but agreed with the recommendation from management that, in light of the decision by management to freeze the salaries of all management grades in 2009 (other than for promoted executives), that it would be appropriate to apply the same policy in relation to the pay of the executive Directors. The Committee approved an increase in David Lamb's salary on the basis that he was appointed to the Board recently (December 2007) and his salary has been moved closer to (but still below) the market median in recognition of his performance and development during 2008. Mike Wilson's base salary has reduced due to his move from 1 January 2009 to working three days per week and has been pro-rated accordingly:

Director	New salary	Previous salary
David Bellamy	£425,000	£425,000
Ian Gascoigne	£320,000	£320,000
Andrew Croft	£320,000	£320,000
David Lamb	£280,000	£250,000
Mike Wilson	£315,000	£525,000

In respect of David Bellamy, Ian Gascoigne and Andrew Croft, the above salaries, when taken together with pension and other fringe benefits, are below the median, based on the comparator data provided by Hewitt. For David Lamb, his salary has been consciously positioned below the median in light of his relatively recent appointment to the Board, but is expected to increase until his salary is in line with policy as he becomes more experienced in the role.

Annual Bonus

For 2009, 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.

Taking the cash and shares element of the bonus together, up to 80% of salary will be awarded by reference to the performance of the Group, largely based on growth in European Embedded Value operating profit before tax, although the Committee retains the discretion to amend the bonus, up or down, to take into account other relevant factors such as the Group's performance compared with competitor organisations, the successful recruitment of new Partners, regulatory issues, overall client satisfaction and completion of other business plan objectives. Up to a further 40% of salary will be awarded by reference to the personal performance of each executive Director, based on a review by the Committee of the executive's performance against his or her personal objectives.

The operating profit target set by the Committee is based on a sliding scale, to progressively reward incremental performance. The range of operating profit before tax for the 2009 bonus scale is based on a significant increase in new business profit compared with 2008, although the growth in operating profit that needs to be achieved reflects the lower profit arising from the in-force book of existing business in 2009 compared with 2008, due to the lower opening embedded value caused by the significant falls in stock markets during 2008.

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 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 the Group's remuneration structure helps to alleviate ESG risks affecting the Group.

No executive Director has a contractual right to receive an annual bonus award. The satisfaction of the targets is assessed by reference to the Company's internal management information systems, as verified by the Committee, which the Committee believes is the most appropriate method, given the internal nature of the performance targets. Mike Wilson does not participate in the annual bonus scheme.

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.

Long Term 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 per cent of the market price of the Company's shares at the date of the invitation to participate.

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, which vest after three years, subject to the achievement of challenging performance conditions. The PSP is also used to make awards to other senior managers within the Group.

The Committee reviewed the grant levels and the performance conditions in January 2009 and retained the 2008 grant level of 150% of salary in 2009. For 2009 awards under the PSP, two-thirds of the shares are subject to an earnings growth condition and one-third of the shares are subject to a comparative Total Shareholder Return ('TSR') condition, both measured over a single three-year period. Awards vest after three years subject to the achievement of the performance conditions and continued employment. The Committee believes that this 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.

Earnings per share is calculated by reference to adjusted consolidated profit after tax on the European Embedded Value (EEV) basis of accounting for both the life and unit trust businesses (on a fully diluted per share basis). The adjustment to the consolidated after tax figures will be to strip out the EEV investment variance and any economic assumption change. 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.

For the awards made in 2009, as in 2008, the two-thirds of the shares based on earnings will vest if the following growth targets are achieved:

Average annual earnings growth	**Proportion exercisable**
Below RPI + 7%	Zero
RPI + 7%	25%
RPI + 16% or more	100%
Between the above points	Pro rata between 25% and 100%

The Committee assessed these thresholds and believe them to be suitably demanding in the context of the prospects of the Company and the current challenging operating environment.

For the one third of shares based on TSR, these will vest (as for awards made in 2008) as follows:

Company's ranking compared to comparator group # at end of performance period	**Proportion exercisable**
Below median	Zero
Median	25%
Upper quartile	100%
Between the above points	Pro rata between 25% and 100%

 # The comparator group comprises: Aberdeen Asset Management, Ashmore Group, Aviva, Brewin Dolphin, Close Brothers, F&C Asset Management, Friends Provident, Henderson Group, Investec, Legal & General, Old Mutual, Prudential, Hargreaves Lansdown, Rathbone Brothers, Rensburg Sheppards, Schroders and Standard Life. These companies were selected by the Committee as a result of having business interests reasonably comparable with those of the St. James's Place Group.

Details of the awards made under the PSP are set out on page 73. 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 76.

Pension and Death in Service Benefits

In 2008 employer contributions of 20% of base salary were made to the money purchase Group personal pension for the executive Directors, except for Mike Wilson who received the relevant amount as additional salary due to the pension cap.

The costs of the pension and death in service arrangements for the executive Directors during the year ended 31 December 2008 are shown on page 72.

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, age and the 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. The agreements automatically terminate on the 65th birthday of the executive, except for Mike Wilson, whose agreement terminates on 31 December 2011, unless otherwise extended by mutual agreement. All the service agreements provide for benefits in kind, including life assurance, pension provision, private health insurance and a company car. Mike Wilson is also entitled to the use of a chauffeur.

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

Director	Date of contract	Base salary	Date contract automatically terminates
Mike Wilson	27 May 2005	£315,000	31 December 2011
David Bellamy	8 August 2006	£425,000	15 April 2018
Ian Gascoigne	8 August 2006	£320,000	7 July 2021
David Lamb	8 August 2006	£280,000	31 January 2022
Andrew Croft	8 August 2006	£320,000	11 June 2029

Currently, no executive Director acts as a non-executive Director on the Board of another company.

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. A basic annual fee of £25,000 per annum was paid to the non-executive Directors in 2008, 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 2009, with the help of comparative data provided by Hewitt. It was decided to retain the 2008 fee structure in 2009, with no increases in non-executive pay.

Set out below are the annual fees paid to the non-executive Directors in 2008 and those currently payable in relation to 2009:

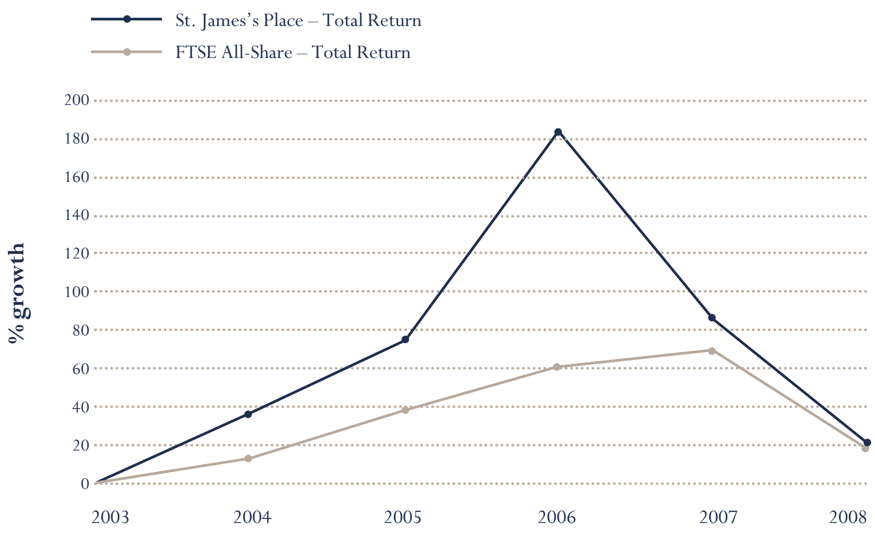
Director	2008 fee £	2009 fee £	Date of Letter of Appointment	Year of re-election at AGM
Sarah Bates	55,000	55,000	26 July 2004	2011
Steve Colsell#	-	25,000	30 January 2009	2009
Jo Dawson#	25,000	25,000	31 May 2006	2010
Derek Netherton	55,000	55,000	15 March 1999	2009
Mike Power	58,000	58,000	22 April 2005	2009
Michael Sorkin	72,500	72,500	16 October 2001	2011
Roger Walsom	43,000	43,000	21 July 2005	2009

Notes:
(i) Fees to Directors marked with # were paid directly to HBOS plc up to 16 January 2009. After this date, fees will be paid directly to Lloyds Banking Group plc.
(ii) HBOS were paid £25,000 for Andy Hornby's services as a non-executive director in 2008 and £1,096 up to the date of his resignation from the Board, being 16 January 2009.

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 HBOS plc pursuant to the Relationship Agreement described more fully on page 50) is normally for three years, terminating on the date on which the non-executive Director is required to retire by rotation at the AGM, 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 Nominations Committee of the Board.

Performance Graph

The graph below, prepared in accordance with the Companies Acts, 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 2008 is shown below, with comparative figures for the year ended 31 December 2007:

	Year Ended 31 December 2008	Year Ended 31 December 2007
	£	£
Aggregate emoluments		
Fees to non-executive Directors	**333,500**	340,000
Emoluments to executive Directors	**2,427,783**	3,598,406
Aggregate gains on exercise of share options	**106,874**	5,383,506
Company contributions to money purchase pension schemes – see note (iii) to the table below	**368,000**	388,178
	3,236,157	9,710,090

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 2008, or for the period ended 31 December 2008 if appointed during the year.

Director	Salaries & Fees	Cash Bonus	Deferred Bonus	Death In Service & Other Benefits	2008 Aggregate Emoluments	2007 Aggregate Emoluments
	£	£	£	£	£	£
Sarah Bates	55,000	-	-	-	55,000	50,000
David Bellamy	425,000	63,750	63,750	37,368	589,868	917,368
Andrew Croft	320,000	48,000	48,000	29,281	445,281	689,281
Jo Dawson	25,000	-	-	-	25,000	25,000
Ian Gascoigne	320,000	48,000	48,000	31,230	447,230	691,230
Simon Gulliford	-	-	-	-	-	37,500
Andy Hornby	25,000	-	-	-	25,000	25,000
David Lamb	250,000	43,750	43,750	36,410	373,910	37,057
Derek Netherton	55,000	-	-	-	55,000	47,500
Mike Power	58,000	-	-	-	58,000	52,500
Michael Sorkin	72,500	-	-	-	72,500	67,500
Roger Walsom	43,000	-	-	-	43,000	35,000
Mike Wilson	525,000	-	-	46,494	571,494	546,494

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 and are generally the amounts which are returned for taxation purposes.

(ii) The fees in respect of the services of Jo Dawson and Andy Hornby were paid directly to HBOS plc.

(iii) Company contributions to money purchase pension schemes for David Bellamy, Andrew Croft, Ian Gascoigne and David Lamb were £85,000, £64,000, £64,000 and £50,000 respectively, being 20% of the base salary. Mike Wilson's contributions amounting to £105,000 were paid as additional salary due to the pensions cap. No other Directors had any such contributions made on their behalf.

(iv) For the annual discretionary bonus in relation to 2008, executive Directors could earn up to 80% of salary by reference to Group performance largely based on growth in pre-tax operating profit and other business plan targets set at the start of the year. A further payment of up to 40% of salary could be earned by reference to individual performance, based on personal objectives set at the start of the year and the executive's performance generally in 2008.
The Committee met in January 2009 to review the performance of the Group and the executives against the objectives set at the start of the year. In light of the performance of the Group in 2008, the Committee awarded no bonus to any executive for the 80% of salary element linked to Group performance. For the 40% of salary linked to personal performance, the Committee awarded a bonus of 35% of salary to David Lamb and bonuses of 30% of salary to David Bellamy, Andrew Croft and Ian Gascoigne, with half of this bonus being payable in cash, with the remainder being used to purchase St. James's Place shares which are held in trust for 3 years under the terms of the deferred bonus scheme. The level of management's performance was recognised as being very good in highly challenging market conditions. Metrics against which management performance was assessed included the achievement of objectives set at the start of the year, communication skills, teamwork, performance in relation to new tasks set during the year, risk management and other relevant factors. Further details of the annual bonus scheme can be found on page 67.

Share Awards

The tables below set out details of share awards that have been granted to individuals who were Directors during 2008 and which had yet to vest at some point during the year.

Performance Share Plan - awards held during 2008 *

Director	Balance at 1 January 2008 (i)	Granted in year (ii)	Lapsed in year	Exercised in year(iii)	Balance at 31 December 2008	Dates from which exercisable
David Bellamy	170,648	-	34,130	136,518	-	17 May 2008 to 17 Nov 2008
	131,661	-	-	-	131,661	2 Mar 2009 to 2 Sept 2009
	114,566	-	-	-	114,566	2 Mar 2010 to 2 Sept 2010
	40,276	-	-	-	40,276	7 Aug 2010 to 7 Feb 2011
		229,936	-	-	229,936	3 Mar 2011 to 3 Sept 2011
Andrew Croft	156,996	-	31,400	125,596	-	17 May 2008 to 17 Nov 2008
	121,316	-	-	-	121,316	2 Mar 2009 to 2 Sept 2009
	114,566	-	-	-	114,566	2 Mar 2010 to 2 Sept 2010
		173,128	-	-	173,128	3 Mar 2011 to 3 Sept 2011
Ian Gascoigne	170,648	-	34,130	136,518	-	17 May 2008 to 17 Nov 2008
	131,661	-	-	-	131,661	2 Mar 2009 to 2 Sept 2009
	114,566	-	-	-	114,566	2 Mar 2010 to 2 Sept 2010
		173,128	-	-	173,128	3 Mar 2011 to 3 Sept 2011
David Lamb	61,433	-	12,287	49,146	-	17 May 2008 to17 Nov 2008
	42,319	-	-	-	42,319	2 Mar 2009 to 2 Sept 2009
	43,644	-	-	-	43,644	2 Mar 2010 to 2 Sept 2010
		135,256	-	-	135,256	3 Mar 2011 to 3 Sept 2011
Mike Wilson	341,296	-	68,260	273,036	-	17 May 2008 to 17 Nov 2008
	235,109	-	-	-	235,109	2 Mar 2009 to 2 Sept 2009
	190,943	-	-	-	190,943	2 Mar 2010 to 2 Sept 2010
		284,039	-	-	284,039	3 Mar 2011 to 3 Sept 2011

Notes:

(i) These awards were made on 17 May 2005, 2 March 2006 and 2 March 2007 when the St. James's Place share price was £2.1775, £3.1675 and £4.42 respectively. David Bellamy received a further award on 7 August 2007 following his appointment as Chief Executive when the St. James's Place share price was £4.26 per share. The performance period is the three year period ending on 31 December 2007, 31 December 2008 and 31 December 2009 respectively. The performance conditions relate to EPS for two-thirds of the award and TSR for one-third of the award, as more fully described on pages 67 and 68, except that for 2005 awards the EPS scale starts at RPI +12.5% for 25% of the award to vest and ends at RPI +22.5% for 100% of the award to vest, with pro-rata vesting between the said points. For the 2006 awards the EPS scale starts at RPI +8% for 25% of the award to vest and ends at RPI +18% for 100% of the award to vest, with pro-rata vesting between the said points. For the 2007 awards, the EPS scale starts at RPI + 8% for 25% of the award to vest and ends at RPI + 18% for 100% of the award to vest, with pro rata vesting between the said points.

(ii) These awards were made on 3 March 2008 when the St. James's Place share price was £2.585. The performance period is 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, as more fully described on pages 67 and 68.

(iii) These awards were exerciseable from 17 May 2008, when the St. James's Place share price was £2.6525. In relation to the two-thirds EPS element of the award, 100% vested, with 40% vesting in relation to the one-third TSR element of the award, resulting in 80% of the total number of shares under the award vesting to the executive. The share price on 17 May 2008 was £2.6525.

Deferred Bonus Scheme – shares held during 2008*

The table below sets out details of the awards held by the Directors under the deferred element of the annual bonus scheme during 2008:

Director	Balance at 1 January 2008	Released during year (i)	Granted during year (ii)	Balance at 31 December 2008 (iii)	Vesting Date
David Bellamy	30,371	30,371	-	-	29 Mar 2008
	42,968	-	-	42,968	8 Mar 2009
	35,814	-	-	35,814	9 Mar 2010
			86,564	86,564	5 Mar 2011
Andrew Croft	33,057	33,057	-	-	29 Mar 2008
	39,531	-	-	39,531	8 Mar 2009
	33,000	-	-	33,000	9 Mar 2010
			64,923	64,923	5 Mar 2011
Ian Gascoigne	31,818	31,818	-	-	29 Mar 2008
	42,968	-	-	42,968	8 Mar 2009
	35,814	-	-	35,814	9 Mar 2010
			64,923	64,923	5 Mar 2011
David Lamb	24,793	24,793	-	-	29 Mar 2008
	30,937	-	-	30,937	8 Mar 2009
	23,023	-	-	23,023	9 Mar 2010
			41,478	41,478	5 Mar 2011
Mike Wilson	65,082	65,082	-	-	29 Mar 2008

Notes:
(i) These deferred share awards were granted on 29 March 2005, equal in value to the executive's 2004 annual cash bonus. The St. James's Place share price on the date of the grant was £2.475 and on the date of release (29 March 2008) was £2.60.
(ii) These deferred share awards were granted on 5 March 2008, equal in value to the executive's 2007 annual cash bonus. These shares will be held in trust for a restricted period ending on 5 March 2011. The St. James's Place share price on 5 March 2008 was £2.635.
(iii) Outstanding awards at the year end relate to share awards granted in 2006, 2007 and 2008 (see (ii) above). The share price at the date of the 2006 award (8 March 2006) was £3.20 and at the date of the 2007 award (9 March 2007) was £4.4175.
(iv) Further details of the deferred element of the annual bonus scheme are set out on page 67.

Executive Share Option Schemes – options held during 2008*

Details of the options held by the Directors in 2008 under the Company's executive scheme and any movements during the year are as follows:

Director	Options held at 1 January 2008	Granted in year	Exercised in year	Options held at 31 December 2008	Exercise price (i)	Dates from which exercisable
Andrew Croft	30,000	-	-	30,000	£1.45	15 Mar 2007 to 15 Mar 2012

Notes:
(i) The exercise price corresponds with the market price (as defined in the Scheme rules) on the date on which the options were granted. At 31 December 2008 the mid market price for St. James's Place shares was £1.78. The range of prices between 1 January 2008 and 31 December 2008 was between £1.48 and £3.10.

SAYE Share Option Scheme – options held during 2008 *

Details of the options held by the Directors in 2008 under the SAYE scheme and any movements during the year are as follows:

Director	Options held at 1 January 2008	Granted in year	Lapsed in year(i)	Exercised in year	Options held at 31 December 2008	Exercise price	Dates from which exercisable
David Bellamy	22,812	-	-	22,812	-	£0.72	1 May 2008 to 31 Oct 2008
		4,507	-	-	4,507	£2.13	1 May 2011 to 31 Oct 2011
Andrew Croft	3,831	-	-	-	3,831	£2.44	1 May 2009 to 31 Oct 2009
Ian Gascoigne	2,554	-	2,554	-	-	£3.70	1 May 2010 to 31 Oct 2010
David Lamb	22,812	-	-	22,812	-	£0.72	1 May 2008 to 31 Oct 2008
		4,507	-	-	4,507	£2.13	1 May 2011 to 31 Oct 2011
Mike Wilson	22,812	-	-	22,812	-	£0.72	1 May 2008 to 31 Oct 2008
		4,507	-	-	4,507	£2.13	1 May 2011 to 31 Oct 2011

(i) Ian Gascoigne's share option lapsed on 12 March 2008
(ii) David Lamb exercised share options held under the SAYE share option scheme on 1 May 2008 when the mid-market close price of St. James's Place shares was £2.05. David Bellamy and Mike Wilson exercised share options on 29 July 2008 when the mid-market close price of St. James's Place shares was £2.745. The aggregate gain on the exercise of these options was £106,874.

Share Interests

St. James's Place plc*

The interests of the Directors in the share capital of the Company as at 1 January 2008 (or as at the date of appointment, if applicable) and as at 31 December 2008 (or as at the date of resignation, if applicable) are given below:

Director	**31 December 2008 Ordinary Shares of 15 pence each**		**1 January 2008 Ordinary Shares of 15 pence each**	
	Beneficial	**Non-Beneficial**	**Beneficial**	**Non-Beneficial**
Sarah Bates	13,500	-	13,500	-
David Bellamy	747,642	238,100	557,862	238,100
Steve Colsell	-	-	-	-
Andrew Croft	285,458	-	146,563	-
Jo Dawson	-	-	-	-
Ian Gascoigne	425,027	30,000	279,700	30,000
Simon Gulliford(iii)	-	-	-	-
Andy Hornby	-	-	-	-
David Lamb	308,040	3,681	214,805	3,681
Derek Netherton	10,000	-	10,000	-
Mike Power	-	-	-	-
Michael Sorkin	-	-	-	-
Roger Walsom	3,194	-	3,194	-
Mike Wilson	3,774,491	750,000	3,590,869	750,000

Notes:
(i) The beneficial 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 67.
(ii) The Company's register of Directors' interests contains full details of Directors' shareholdings and any share awards under the Company's various share schemes.
(iii) Simon Gulliford ceased to be a director of the Company on 7 February 2008.

Between 31 December 2008 and 23 February 2009 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 following table sets out, as at 31 December 2008, 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 2008.

Share Scheme	Number of new ordinary shares of 15 pence each	% of total issued share capital as at 31 December 2008
SAYE schemes	5,168,328	1.08%
Executive Share schemes	14,440,126	3.01%
Partners Share schemes	39,041,409	8.14%
Total	**58,649,863**	**12.23%**

In addition, as at 31 December 2008, the Group's Employee Share Trust held 2,260,141 shares in the Company which were purchased in the market to satisfy awards made under the PSP and executive share option schemes.

A further 2,392,273 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 page 67.

Lloyds Banking Group plc *

The Directors had no interests in the share capital of HBOS plc as at 31 December 2008 except for the beneficial interests set out below. On 16 January 2009 Lloyds TSB and HBOS merged resulting in new shares being issued in the new entity Lloyds Banking Group plc.

Director	16 January 2009 Ordinary Shares of 25 pence each in Lloyds Banking Group plc	31 December 2008 Ordinary Shares of 25 pence each in HBOS plc	1 January 2008 Ordinary Shares of 25 pence each in HBOS plc
Jo Dawson	157,206	259,846	106,654
Ian Gascoigne	2,117	3,500	3,500
Andy Hornby	627,490	1,037,175	608,031
David Lamb	124	206	206
Roger Walsom	567	-	-
Mike Wilson	907	1,500	1,500

Between 31 December 2008 and 23 February 2009 there have been no transactions in shares of HBOS plc and 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 SJP Employee Share Trust. As such, they were treated as at 31 December 2008 as being interested in 5,307,968 ordinary shares of 15p 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

Michael Sorkin

Chairman, Remuneration Committee
23 February 2009

Consolidated Accounts under International Financial Reporting Standards

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 2008, which comprise the consolidated Income Statement, the consolidated Statement of Changes in Equity, the consolidated Balance Sheet, the consolidated Statement of Cash Flows and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of St. James's Place plc for the year ended 31 December 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Report and Accounts and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on pages 56 and 57.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Statement, Financial Commentary, Corporate Social Responsibilty Report, Corporate Governance Report, Risk and Risk Management section and Key Performance Indicators that are cross referred from the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Report and Accounts and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2008, and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 IAS Regulation; and
- the information given in the Directors' Report is consistent with the group financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

23 February 2009

Consolidated Income Statement

	Note	**Year Ended 31 December 2008 £' Million**	Year Ended 31 December 2007 £' Million
Insurance premium revenue		**93.8**	97.2
Less premiums ceded to reinsurers		**(33.9)**	(27.3)
Net insurance premium revenue		**59.9**	69.9
Fee and commission income		**102.1**	83.8
Other investment return	4	**(2,390.8)**	1,088.8
Other operating income		**6.6**	2.5
Net revenue	3	**(2,222.2)**	1,245.0
Policy claims and benefits			
• Gross amount		**(53.2)**	(50.7)
• Reinsurers' share		**21.0**	18.2
Net policyholder claims and benefits incurred		**(32.2)**	(32.5)
Change in insurance contract liabilities			
• Gross amount		**67.0**	(31.0)
• Reinsurers' share		**(0.7)**	4.6
Net change in insurance contract liabilities		**66.3**	(26.4)
Investment contract benefits	22	**2,536.2**	(697.1)
Fees, commission and other acquisition costs		**(258.4)**	(269.9)
Administration expenses		**(117.7)**	(112.6)
Other operating expenses		**(3.4)**	(3.3)
	5	**(379.5)**	(385.8)
Operating (loss)/profit and (loss)/profit before tax	3	**(31.4)**	103.2
Tax on policyholders' return	7	**112.1**	(7.1)
Tax on shareholders' return	7	**(13.6)**	(18.0)
Total tax credit/(expense)	7	**98.5**	(25.1)
Profit for period attributable to shareholders	3	**67.1**	78.1
Basic earnings per share	8	**14.2**	16.8
Diluted earnings per share	8	**14.1**	16.1

The notes and information on pages 86 to 130 form part of these accounts.

Consolidated Statement of Changes in Equity

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Opening equity shareholders' funds	**442.5**	**382.2**
Profit for the financial period, being total recognised income for the financial period	67.1	78.1
Issue of share capital		
• Scrip dividend	2.1	10.7
• Exercise of share options	2.4	16.0
P&L reserve credit in respect of share option charges	14.9	12.5
P&L reserve credit in respect of proceeds from exercise of share options of shares held in trust	0.1	1.0
Total credit	**86.6**	**118.3**
Dividends paid	(20.8)	(47.7)
Consideration paid for own shares	(0.3)	(10.3)
Net increase to shareholders' funds	**65.5**	**60.3**
Closing equity shareholders' funds	**508.0**	**442.5**

The notes and information on pages 86 to 130 form part of these accounts.

Consolidated Balance Sheet

	Note	31 December 2008 £' Million	31 December 2007 £' Million
Assets			
Intangible assets			
• Deferred acquisition costs	10	**564.9**	484.6
• Acquired value of in force business	10	**57.7**	61.0
		622.6	545.6
Property & equipment	11	**12.2**	10.4
Deferred tax assets	12	**143.7**	125.2
Investment property	13	**410.6**	642.5
Investments			
• Equities		**9,190.5**	10,780.4
• Fixed income securities		**1,009.9**	720.7
• Investment in Collective Investment Schemes		**1,239.4**	1,098.8
• Currency forwards		**0.5**	-
Reinsurance assets	20	**32.2**	32.9
Insurance and investment contract receivables		**14.9**	18.0
Income tax assets		**32.4**	19.5
Other receivables	16	**229.9**	160.2
Cash & cash equivalents	17	**2,253.5**	1,929.2
Total assets		**15,192.3**	16,083.4
Liabilities			
Insurance contract liabilities	19	**338.4**	405.4
Other provisions	21	**12.9**	5.3
Financial liabilities			
• Investment contracts	22	**13,109.8**	14,144.0
• Borrowings	23	**7.8**	11.2
• Currency forwards		**126.6**	0.2
Deferred tax liabilities	24	**168.8**	268.2
Insurance and investment contract payables		**22.9**	21.8
Deferred income	25	**372.6**	347.8
Income tax liabilities		**27.6**	50.0
Other payables	26	**161.1**	119.4
Net asset value attributable to unit holders	15	**335.8**	267.6
Total liabilities		**14,684.3**	15,640.9
Net assets		**508.0**	442.5
Shareholders' equity			
Share capital	29	**71.9**	71.5
Share premium	31	**86.3**	82.2
Other reserves	31	**(10.7)**	(15.9)
Retained earnings	31	**360.5**	304.7
Total shareholders' equity		**508.0**	442.5
		Pence	Pence
Net assets per share		**105.9**	92.9

The financial statements on pages 81 to 130 were approved by the Board of Directors on 23 February 2009 and signed on its behalf by:

D Bellamy
Chief Executive

A Croft
Finance Director

The notes and information on pages 86 to 130 form part of these accounts.

Consolidated Statement of Cash Flows

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Cash flows from operating activities		
(Loss) / profit before tax for the period	**(31.4)**	103.2
Adjustments for:		
Depreciation	**3.8**	2.2
Amortisation of acquired value of in-force business	**3.3**	3.3
Fair value gains on non-operating investments	**(0.1)**	-
Share based payment charge	**14.9**	12.5
Changes in operating assets and liabilities		
Increase in deferred acquisition costs	**(80.3)**	(91.0)
Decrease / (increase) in investment property	**231.9**	(74.3)
Decrease / (increase) in investments	**1,159.6**	(2,026.1)
Decrease / (increase) in reassurance assets	**0.7**	(4.6)
Decrease / (increase) in insurance and investment contract receivables	**3.1**	(6.5)
Increase in other receivables	**(88.5)**	(75.8)
(Decrease) / increase in insurance contract liabilities	**(67.0)**	31.1
Increase in provisions	**7.6**	2.2
(Decrease) / increase in financial liabilities (excluding borrowings)	**(1,012.9)**	2,319.0
Increase in insurance and investment contract payables	**1.1**	3.3
Increase in deferred income	**24.8**	55.9
Increase in other payables	**37.5**	18.9
Increase in net assets attributable to unit holders	**68.2**	135.1
Cash generated from operations	**276.3**	408.4
Income taxes paid	**(31.9)**	(52.8)
Net cash from operating activities	**244.4**	355.6
Cash flows from investing activities		
Acquisition of property & equipment	**(5.9)**	(6.5)
Proceeds from sale of plant & equipment	**0.3**	0.1
Net cash from investing activities	**(5.6)**	(6.4)
Cash flows from financing activities		
Proceeds from the issue of share capital	**4.5**	26.7
Consideration paid for own shares	**(0.3)**	(10.3)
Proceeds from exercise of options over shares held in trust	**0.1**	1.0
Repayment of borrowings	**(3.4)**	(1.9)
Dividends paid	**(20.8)**	(47.7)
Net cash from financing activities	**(19.9)**	(32.2)
Net increase in cash & cash equivalents	**218.9**	317.0
Cash & cash equivalents at 1 January	**1,929.2**	1,606.9
Effect of exchange rate fluctuations on cash held	**105.4**	5.3
Cash & cash equivalents at 31 December	**2,253.5**	1,929.2

Exchange rate fluctuations result from cash held in the unit linked funds.
The notes and information on pages 86 to 130 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"). The Group has applied all IFRSs and interpretations adopted by the EU by 31 December 2008 with the exception of:

- IFRS 8 operating segments
- Amendment to IAS 23 Borrowing Costs
- Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation.

The effective date for these standards is for accounting periods commencing 1 January 2009 and it is likely that further disclosures will be required when these standards are applied.

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 and insurance contracts, which are held at fair value. Certain comparative amounts have been reclassified to conform to the current year's presentation.

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.

Judgments 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 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 financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

Where contracts contain both insurance and investment components and the investment components can be measured reliably, specifically unit linked pension contracts, the contracts are unbundled and the components are separately accounted for as insurance contracts and investment contracts respectively.

(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 income statement 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, 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 income statement but are instead deducted from investment contract liabilities. The movement in investment contract benefits within the income statement 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.

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.

Where contracts contain both insurance and investment components, specifically unit linked pension contracts, the associated deferred acquisition costs are classified as deferred acquisition costs on investment contracts. The associated deferred income on such contracts is included in deferred income on investment contracts.

(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.

Long-term business provisions 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 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 deduction of future tax to be paid in respect of unrealised capital gains, discounted to reflect the time period over which such gains are expected to be realised, 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 income 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 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 represent amounts recoverable from reinsurers in respect of outstanding claims and in respect of insurance contract liabilities, net of any future reinsurance premiums payable and after allowance for any impairment losses.

(e) Fee & commission income
Fee & 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 income statement on a straight-line basis over the term of the lease. Interest, which is generated on assets classified as fair value through profit and loss, is accounted for on an accruals basis.

(g) Expenses
(i) Commission
Commission expense is recognised on the sale of insurance, investment and other third party products by the Group. Depending on the nature of the sale and product, the commission expense may be classified as initial (commission paid at the policy outset within the “initial period”), renewal (commission payable on any regular contributions received on renewal premiums), or trail commission (commission based upon funds under management payable on the policy anniversary). Initial commission resulting directly from the sale of insurance and investment products that may be deferred, is described further under accounting policy note (c) (iv).

Commission in respect of some insurance business 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 (up to 5 years) any unearned commission will be 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 income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are spread over the life of the lease.

(h) Income taxes

(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 income statement based on the movement in current and deferred income taxes in respect of income, gains and expenses. The allocation between shareholders and policyholders is based on the returns recognised within these categories.

(i) Dividends

Dividend distributions to the Company's shareholders are recognised as liabilities in the period in which the dividends are declared, 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 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.

(iii) Goodwill

Goodwill on the acquisition of subsidiaries prior to 1 January 2004 has been charged directly to reserves. Prospectively the Group's policy is to recognise goodwill on the balance sheet as an intangible asset, measured at cost less any accumulated impairment losses.

(k) Property & equipment

Items of property & equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy note p). The deemed cost of owner occupied property is the fair value determined by an independent valuer as at 1 January 2004, the date of transition to IFRS.

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

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

(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 income statement. Rental income from investment property is accounted for as described in accounting policy note (f).

(m) Investments

The Group's investments are all classified as fair value through profit and loss, with all gains and losses recognised within investment income in the income statement. 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 income statement 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 income statement.

(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 income statement.

(o) Other receivables

Other receivables are stated at amortised cost less impairment losses.

(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 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 income statement - 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.

(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 income statement 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 stated at amortised cost.

(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 and 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.

(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 income statement 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, 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 income statement, such that the amount recognised for employee services are based on the number of shares that actually vest. The charge to the income statement is not revised for any changes in market vesting conditions.

(w) Treasury shares
Where any Group company purchases the Company's equity 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 currency is pounds sterling. The functional currency of the Group's foreign operations is the currency of the primary economic environment in which these entities operate.

Foreign currency transactions are translated into sterling using the approximate 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 income statement.

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

The principal activity of the Group is the transaction of long-term insurance and investment business and the Group segments its operations by lines of business: life, unit trust and other business revenues. Revenues and expenses allocated to business units reflect those revenues and expenses generated in or incurred by the legal entities comprising the segments.

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.

(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.

Deferred tax balances are all treated 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 and unbundling of contracts between insurance and investment business. Contracts with a significant degree of insurance risk are treated as insurance; pension contracts in general have been treated as investment contracts and, where they contain a significant degree of insurance risk, the insurance and investment components have been unbundled. 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; and
- determining the fair value, amortisation and recoverability of acquired in-force business.

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 income statement 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 2008 and expected long term rates;
- the mortality and morbidity rates, which are based on the results of an investigation of experience during the year; and
- 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 and Deferred Income

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.

3. Segment reporting

The Group segments its operations into three lines of business:

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

The income and results of these segments are as follows:

Net revenue	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Life business		
Net insurance premium income	59.9	69.9
Net movement on deferred income	(8.0)	(30.5)
Investment income – unit linked policyholders	(2,322.1)	1,063.9
Segment revenue	**(2,270.2)**	1,103.3
Unit trust business		
Fee income (excluding deferred income)	**81.4**	85.4
Net movement on deferred income	**(16.8)**	(25.4)
Segment revenue	**64.6**	60.0
Other business		
Commission income	**45.4**	54.3
Investment income – other shareholders	**9.1**	11.6
Investment income – other [1]	**(77.7)**	13.3
Other operating income	**6.6**	2.5
Segment revenue	**(16.6)**	81.7
Total net revenue [2]	**(2,222.2)**	1,245.0

[1] *Investment income – other* relates to investment income on third party holdings in the St. James's Place unit trusts which are subject to consolidation (the third party 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.

[2] All revenue is generated from external transactions.

Segment result	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Life business		
Shareholder	**83.2**	84.4
Policyholder tax gross up	**(112.1)**	7.1
Unit trust business	**18.1**	15.9
Other business	**(20.6)**	(4.2)
Total operating (loss)/profit and (loss)/profit before tax	**(31.4)**	103.2
Income taxes		
Policyholder tax	**112.1**	(7.1)
Shareholder tax	**(13.6)**	(18.0)
Profit after tax	**67.1**	78.1

Other segmental information

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Segment Assets		
Life business	**14,376.2**	15,385.0
Unit trust business	**169.2**	150.6
Other business	**294.8**	300.5
Unallocated assets	**176.1**	144.7
Consolidation adjustments	**176.0**	102.6
Total assets	**15,192.3**	16,083.4
Segment Liabilities		
Life business	**13,937.1**	14,879.7
Unit trust business	**162.8**	130.1
Other business	**63.4**	76.1
Unallocated liabilities	**196.4**	318.2
Consolidation adjustments	**324.6**	236.8
Total liabilities	**14,684.3**	15,640.9
Capital expenditure		
Other business	**5.9**	6.5
Depreciation Expense		
Other business	**3.8**	2.2
Amortisation Expense		
Life business – DAC	**46.8**	38.6
Life business – acquired value of in-force business	**3.3**	3.3
Unit trust business - DAC	**8.9**	6.8

4. Other investment return

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Dividend income	**385.8**	283.9
Interest income	**102.3**	119.4
Rental income	**34.6**	32.8
Net realised gains	**107.3**	812.7
Net unrealised losses	**(2,943.1)**	(173.3)
(Loss)/income attributable to third party holdings in unit trusts	**(77.7)**	13.3
Total other investment return	**(2,390.8)**	1,088.8

5. Expenses

The following items are included within the expenses disclosed in the income statement:

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Employee costs (see note 6)	**41.0**	44.5
Depreciation	**3.8**	2.2
Amortisation of acquired value of in-force business	**3.3**	3.3
Amortisation of DAC	**55.7**	45.4
Payment under operating leases	**10.6**	9.5
Fees payable to the company's auditor for the audit of the company's annual accounts	**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	**0.4**	0.4
• other services pursuant to legislation	-	-

In addition to audit services relating to St. James's Place plc and its subsidiaries, fees of £0.1 million (2007: £0.1 million) have been paid to the auditors in respect of the audit of the twenty unit trusts managed by the Group.

6. Employee costs

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Wages and salaries	**33.7**	36.9
Social security costs	**4.1**	4.6
Pension costs in relation to defined contribution schemes	**3.2**	3.0
Total employee benefits	**41.0**	44.5
Average number of persons employed by the Group during the year	**669**	635

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 64 to 77.

The total cost of the employer contributions to defined contribution personal pension plans for the Group's employees during the year was £3.2 million (2007: £3.0 million).

7. Income taxes

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Policyholder tax		
Overseas withholding taxes	**22.5**	12.4
Deferred tax on eligible unrelieved foreign tax	**(8.4)**	-
Deferred tax on unrelieved expenses		
Current year credit	**(2.8)**	(7.5)
Prior year credit	**-**	(30.4)
Deferred tax on unrealised gains in unit linked funds	**(120.1)**	(23.2)
UK corporation tax		
Current year charge	**1.5**	55.8
Prior year credit	**(4.8)**	-
Total policyholder tax (credit)/charge for the year	**(112.1)**	7.1
Shareholder tax		
UK corporation tax		
Current year charge	**0.8**	4.6
Prior year charge	**(2.6)**	1.0
Overseas taxes	**2.0**	2.2
	0.2	7.8
Deferred tax on pension business losses		
Current year credit	**(2.5)**	-
Prior year credit	**(3.4)**	-
Deferred tax charge on other items	**19.3**	10.2
Total shareholder tax charge for the year	**13.6**	18.0

The prior year credit in 2007 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.

The change in the corporation tax rate from 30% to 28% effective from 1 April 2008 included in the 2007 Finance Act has been incorporated into the deferred tax balances.

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Reconciliation of tax charge		
(Loss)/profit before tax	**(31.4)**	103.2
Tax at 28.5% (2007: 30%)	**(8.9)**	31.0
Effects of:		
Deferred tax on unrelieved expenses current year	**(2.8)**	(7.5)
Deferred tax on unrelieved expenses prior year	**-**	(30.4)
Overseas withholding tax in unit linked funds	**12.9**	12.4
Deferred tax in unit linked funds	**(86.8)**	(16.6)
Shareholder deduction for policyholder tax	**(0.4)**	(20.2)
Adjustments to reserves	**0.6**	3.8
Policyholder tax rate differential	**(6.1)**	62.6
Prior year items	**(10.9)**	(1.7)
Change in tax rate	**(0.3)**	(6.1)
Other adjustments	**4.2**	(2.2)
Total tax (credit)/charge for the year	**(98.5)**	25.1

The policyholder tax rate differential relates to the effect of the difference between the shareholder tax rate of 28.5% and the policyholder tax rate of 20%.

8. Earnings per share

	Year Ended 31 December 2008 pence	Year Ended 31 December 2007 pence
Basic earnings per share	**14.2**	16.8
Adjustments	**-**	-
Basic adjusted earnings per share	**14.2**	16.8
Diluted earnings per share	**14.1**	16.1
Adjustments	**-**	-
Diluted adjusted earnings per share	**14.1**	16.1

The earnings per share (EPS) calculations are based on the following figures:

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Earnings		
Profit after tax *(for both basic and diluted EPS)*	**67.1**	78.0
Adjustments	-	-
Adjusted profit *(for both basic and diluted EPS)*	**67.1**	78.1
Weighted average number of shares		
Weighted average number of ordinary shares in issue *(for basic EPS)*	**473.6**	465.6
Adjustments for outstanding share options	**2.5**	20.4
Weighted average number of ordinary shares *(for diluted EPS)*	**476.1**	486.0

9. Dividends

The following dividends have been paid by the Group:

	Year Ended 31 December 2008 pence per share	Year Ended 31 December 2007 pence per share	**Year Ended 31 December 2008 £' Million**	Year Ended 31 December 2007 £' Million
Final dividend in respect of previous financial year	**2.55**	2.15	**12.1**	10.0
Special dividend in respect of previous financial year	**-**	6.35	**-**	29.4
Interim dividend in respect of current financial year	**1.84**	1.75	**8.7**	8.3
Total	**4.39**	10.25	**20.8**	47.7

The Directors have recommended a final dividend of 2.55 pence per share (2007: 2.55 pence). This amounts to £12.2 million (2007: £12.1 million) and will, subject to shareholder approval at the Annual General Meeting, be paid on 13 May 2009 to those shareholders on the register as at 6 March 2009.

10. Intangible assets

	Deferred Acquisition Costs					
	Life business - insurance DAC	Life business - investment DAC	Unit trust business - investment DAC	Total DAC	Acquired value of in-force business	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Cost						
At 1 January 2007	70.9	360.3	83.3	514.5	73.4	587.9
Additions	8.3	101.8	26.3	136.4	-	136.4
At 31 December 2007	79.2	462.1	109.6	650.9	73.4	724.3
At 1 January 2008	79.2	462.1	109.6	650.9	73.4	724.3
Additions	8.0	103.4	24.6	136.0	-	136.0
At 31 December 2008	87.2	565.5	134.2	786.9	73.4	860.3
Amortisation						
At 1 January 2007	44.2	63.8	12.9	120.9	9.1	130.0
Charge for the year	8.3	30.3	6.8	45.4	3.3	48.7
At 31 December 2007	52.5	94.1	19.7	166.3	12.4	178.7
At 1 January 2008	52.5	94.1	19.7	166.3	12.4	178.7
Charge for the year	9.3	37.5	8.9	55.7	3.3	59.0
At 31 December 2008	61.8	131.6	28.6	222.0	15.7	237.7
Carrying value						
At 1 January 2007	26.7	296.5	70.4	393.6	64.3	457.9
At 31 December 2007	26.7	368.0	89.9	484.6	61.0	545.6
At 31 December 2008	**25.4**	**433.9**	**105.6**	**564.9**	**57.7**	**622.6**
Outstanding amortisation period						
At 31 December 2007	6 years	14 years	14 years		18 years	
At 31 December 2008	6 years	14 years	14 years		17 years	

Amortisation of deferred acquisition costs is charged within the fees, commission and other acquisition costs line in the income statement. The amortisation of the acquired value of in-force business is charged within other operating expenses.

11. Property & equipment

	Fixtures, Fittings, Computers & Office Equipment	Motor Vehicles	Land & Buildings	Total
	£' Million	£' Million	£' Million	£' Million
Cost				
At 1 January 2007	30.3	1.8	1.2	33.3
Additions	6.0	0.5	-	6.5
Disposals	(12.5)	(0.3)	-	(12.8)
At 31 December 2007	23.8	2.0	1.2	27.0
At 1 January 2008	23.8	2.0	1.2	27.0
Additions	5.2	0.7	-	5.9
Disposals	-	(1.0)	(0.1)	(1.1)
At 31 December 2008	29.0	1.7	1.1	31.8
Depreciation				
At 1 January 2007	26.3	0.7	-	27.0
Charge for the year	1.7	0.5	-	2.2
Disposals	(12.4)	(0.2)	-	(12.6)
At 31 December 2007	15.6	1.0	-	16.6
At 1 January 2008	15.6	1.0	-	16.6
Charge for the year	3.3	0.5	-	3.8
Disposals	-	(0.8)	-	(0.8)
At 31 December 2008	18.9	0.7	-	19.6
Net book value				
At 1 January 2007	**4.0**	**1.1**	**1.2**	**6.3**
At 31 December 2007	**8.2**	**1.0**	**1.2**	**10.4**
At 31 December 2008	**10.1**	**1.0**	**1.1**	**12.2**

12. Deferred tax assets

	31 December 2008 £' Million	31 December 2007 £' Million
Life business – unrelieved expenses	**57.7**	55.0
Life business – EUFT	**8.4**	-
Life business – pension business	**5.9**	-
Life business – deferred income	**34.4**	34.1
Unit trust business – deferred income	**32.8**	28.1
Other	**4.5**	8.0
Total deferred tax asset	**143.7**	125.2

Deferred tax assets have been established in respect of eligible unrelieved foreign tax and pension business losses. It was decided not to recognise a deferred tax asset on capital losses on eligible investments of £37.6 million.

13. Investment property

	31 December 2008 £' Million	31 December 2007 £' Million
Balance at 1 January	**642.5**	568.2
Additions	**82.1**	226.1
Disposals	**(128.2)**	(60.6)
Changes in fair value	**(185.8)**	(91.2)
Balance at 31 December	**410.6**	642.5

The rental income and direct operating expenses recognised in the income statement in respect of investment properties are set out below. All expenses relate to property generating rental income.

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Rental income	**34.6**	32.8
Direct operating expenses	**3.0**	1.5

At the year end contractual obligations to purchase, construct or develop investment property amounted to £21.3 million (2007: £105.7 million).

14. 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.

	31 December 2008 £' Million	31 December 2007 £' Million
Assets		
Investment property	**410.6**	642.5
Investments		
Equities	**8,921.5**	10,535.7
Fixed income securities	**939.9**	666.0
Investment in Collective Investment Schemes	**1,058.1**	864.1
Currency forwards	**0.5**	-
Other receivables	**86.5**	68.4
Cash & cash equivalents	**2,156.0**	1,841.3
Total assets	**13,573.1**	14,618.0
Liabilities		
Financial liabilities		
Currency forwards	**126.6**	0.2
Deferred tax liabilities	**0.5**	117.6
Other payables	**82.4**	45.0
Total liabilities	**209.5**	162.8
Net assets held to cover linked liabilities	**13,363.6**	14,455.2

15. Net asset value attributable to unit holders

The following assets and liabilities are attributable to third party holdings in the St. James's Place unit trusts which are subject to consolidation:

	31 December 2008 £' Million	31 December 2007 £' Million
Investments – equities	**269.0**	244.7
Investments – fixed income securities	**20.8**	9.8
Investments – collective investment schemes	**7.5**	3.4
Cash & cash equivalents	**35.8**	9.4
Other receivables	**2.8**	0.8
Other payables	**(0.1)**	(0.5)
Net asset value attributable to unit holders	**335.8**	267.6

16. Other receivables

	31 December 2008 £' Million	31 December 2007 £' Million
St. James's Place Partnership loans	**59.3**	41.4
Prepayments	**8.5**	7.8
Unearned commission	**22.0**	17.5
Miscellaneous	**31.7**	14.7
Balances held within unit linked funds	**86.5**	68.4
Dealing debtor	**21.9**	10.4
Total other receivables	**229.9**	160.2
Current	**153.0**	111.7
Non current	**76.9**	48.5
	229.9	160.2

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 and repayable on demand.

17. Cash & cash equivalents

	31 December 2008 £' Million	31 December 2007 £' Million
Cash at bank	**86.8**	120.4
Bank overdrafts	**(25.1)**	(41.9)
Cash & cash equivalents held outside unit linked and unit trust funds	**61.7**	78.5
Balances held within unit linked funds	**2,156.0**	1,841.3
Balances held within unit trust funds	**35.8**	9.4
Total cash & cash equivalents	**2,253.5**	1,929.2

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 62.

19. Insurance contract liabilities

	2008 £' Million	2007 £' Million
Balance at 1 January	**405.4**	374.3
Movement in unit linked liabilities	**(53.3)**	26.3
Movement in non-unit linked liabilities		
New business	**0.3**	(2.6)
Existing business	**(0.7)**	3.4
Other assumption changes	**(1.3)**	(6.0)
Experience variance	**(12.0)**	10.0
Total movement in non-unit linked liabilities	**(13.7)**	4.8
Balance at 31 December	**338.4**	405.4
Unit linked	**280.5**	333.8
Non-unit linked	**57.9**	71.6
	338.4	405.4
Current	**48.8**	56.4
Non current	**289.6**	349.0
	338.4	405.4

Unit linked liabilities move as a function of net cash flows into policyholder funds and underlying investment performance of those funds.

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 2008 and the specific gilts backing the liabilities. The specific rates used are between 2.1% and 3.4% depending on the tax regime (3.2% and 4.6% at 31 December 2007).
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. The shape and level are unchanged since last year. Sample annual rates per £ for a male non-smoker are:

Age	Rate
25	0.000703
35	0.001235
45	0.002953

Morbidity –
Permanent Health Insurance

Morbidity is based on company experience. The shape and level are unchanged since last year. Sample annual rates per £ income benefit p.a. for a male non-smoker are:

Age	Rate
25	0.00510
35	0.01345
45	0.02918

Expenses

Contract liabilities are calculated allowing for the actual costs of administration of the business. The assumption has been increased to allow for inflation but is otherwise unchanged.

	Annual cost	
Product	**2008**	**2007**
Protection business	£33.01	£32.38

Persistency

Allowance is made for a prudent level of lapses within the calculation of the liabilities. The rates have been changed in 2008. Annual lapse rates are:

2008		**Lapses**	
Product	**Year 1**	**Year 5**	**Year 10**
Protection business	7%	9%	8%

2007		**Lapses**	
Product	**Year 1**	**Year 5**	**Year 10**
Protection business	14%	14%	11%

Sensitivity analysis

The table below sets out the sensitivity of the profit and net assets to key 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.

Sensitivity analysis	Change in assumptions	**Change in profit before tax 2008**	Change in profit before tax 2007	**Change in net assets 2008**	Change in net assets 2007
	%	**£' Million**	£' Million	**£' Million**	£' Million
Withdrawal rates	-10%	**(2.9)**	(2.3)	**(2.3)**	(1.9)
Expense assumptions	-10%	**1.5**	1.3	**1.2**	1.0
Mortality/morbidity	-5%	**0.4**	0.8	**0.3**	0.6

A change in interest rates will have no material impact on insurance profit or net assets.

20. Reinsurance assets

	31 December 2008	31 December 2007
	£' Million	£' Million
Reinsurers' share of insurance contract liabilities		
Long term insurance contract liability	**24.1**	26.5
Claims outstanding	**8.1**	6.4
Reinsurance assets	**32.2**	32.9
Current	**11.0**	14.5
Non current	**21.2**	18.4
	32.2	32.9

A reconciliation of the movement in the net reinsurance balance is set out below:

	2008	2007
	£' Million	£' Million
Reinsurance assets at 1 January	**32.9**	28.3
Reassurance component of net change in claims provision	**1.7**	1.1
Reassurance component of change in insurance liabilities	**(2.4)**	3.5
Reinsurance assets at 31 December	**32.2**	32.9

21. Other provisions

	Endowments	Office Restructuring	Other Provisions	Total
	£' Million	£' Million	£' Million	£' Million
At 1 January 2008	0.5	3.7	1.1	5.3
Charged to the consolidated income statement	(0.3)	-	-	(0.3)
Additional provisions	-	1.0	6.9	7.9
At 31 December 2008	**0.2**	**4.7**	**8.0**	**12.9**
Current	0.2	1.3	8.0	9.5
Non current	-	3.4	-	3.4
	0.2	4.7	8.0	12.9

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.

£6.9 million (2007: £nil) of other provisions is an amount relating to a forthcoming goodwill payment to be made to clients who were impacted by the recent closure of the Enhanced Fund within the AIG Premier Access Bond and AIG Bond products. The remaining £1.1 million (2007: £1.1 million) relates to sundry miscellaneous items.

22. Investment contract benefits

	2008	2007
	£' Million	£' Million
Balance at 1 January	**14,144.0**	11,819.8
Deposits	**2,401.8**	2,588.1
Withdrawals	**(977.5)**	(947.7)
Investment contract benefits (principally representing investment income)	**(2,536.2)**	697.1
Less investment contract benefits attributable to third party holdings in unit trusts	**77.7**	(13.3)
Balance at 31 December	**13,109.8**	14,144.0
Current	**642.4**	693.0
Non current	**12,467.4**	13,451.0
	13,109.8	14,144.0

23. Borrowings

	31 December 2008 £' Million	31 December 2007 £' Million
Bank loan	**7.8**	11.2

The Company granted a Fixed Sum Guarantee in 2003 to Bank of Scotland in connection with loans made to members of St. James's Place Partnership by Bank of Scotland.

Under the terms of the guarantee, Bank of Scotland agreed, at the request of the Company, to provide loans ("Partner Loans"), either by way of new loans or by an equitable assignment of existing loans, to the members of the St. James's Place Partnership. In the event of default on any of these loans the Company guarantees to repay the outstanding balance of the loan.

New loans

The guarantee can be terminated at any time by the Company giving three months' notice. At 31 December 2008, the balance of Bank of Scotland loans covered by this guarantee was £65.3 million (31 December 2007: £64.1 million).

Existing loans

Under the terms of the Assignment Agreement with the Bank of Scotland, the Assigned Loans remain legally in the name of the Group and the outstanding balance of £7.8 million is thus shown as both an asset under other receivables and a financial liability under borrowing.

The guarantee is treated as an Insurance Contract under IFRS 4. The fair value of the outstanding bank loan is not materially different from amortised cost.

24. Deferred tax liabilities

	31 December 2008 £' Million	31 December 2007 £' Million
On deferred acquisition costs	**147.2**	125.6
On acquired value of in-force business	**16.1**	17.0
Within unit linked funds	**0.5**	117.6
Other	**5.0**	8.0
Total deferred tax liability	**168.8**	268.2

Deferred tax liabilities of £8.7 million as at 31 December 2008 (2007: £6.9 million) have not been recognised in respect of taxes that would be payable on the remittance of earnings from overseas subsidiaries. Unremitted earnings totalled £56.1 million at 31 December 2008 (2007: £44.4 million).

25. Deferred income

	31 December 2008 £' Million	31 December 2007 £' Million
Life business	**255.4**	247.4
Unit trust business	**117.2**	100.4
Total deferred income	**372.6**	347.8
Current	**74.0**	69.0
Non current	**298.6**	278.8
	372.6	347.8

26. Other payables

	31 December 2008 £' Million	31 December 2007 £' Million
Accruals	**25.9**	37.9
Unit trust dealing debtor	**14.8**	14.9
Miscellaneous	**38.0**	21.6
Balances held within unit linked funds	**82.4**	45.0
Total other payables	**161.1**	119.4

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 58.

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 2008				31 December 2007			
	Financial assets at fair value through profit and loss*	**Loans and receivables**	**Financial liabilities at fair value through profit and loss***	**Financial liabilities measured at amortised cost**	Financial assets at fair value through profit and loss*	Loans and receivables	Financial liabilities at fair value through profit and loss*	Financial liabilities measured at amortised cost
	£' Million	**£' Million**	**£' Million**	**£' Million**	£' Million	£' Million	£' Million	£' Million
Financial Assets								
Equities	**9,190.5**				10,780.4			
Fixed income securities	**1,009.9**				720.7			
Investment in Collective Investment Schemes	**1,239.4**				1,098.8			
Currency forwards	**0.5**				-			
Other receivables								
St. James's Place Partnership loans		**59.3**				41.4		
Other		**170.6**				118.8		
Total other receivables		**229.9**				160.2		
Cash & cash equivalents	**2,253.5**				1,929.2			
Total Financial Assets	**13,693.8**	**229.9**			14,529.1	160.2		
Financial Liabilities								
Investment contract benefits			**13,109.8**				14,144.0	
Borrowings				**7.8**				11.2
Currency forwards			**126.6**				0.2	
Other payables				**161.1**				119.4
Total Financial Liabilities			**13,236.4**	**168.9**			14,144.2	130.6

*All financial assets and liabilities at fair value through profit and loss are designated as such upon initial recognition.

The carrying value of the investment contract liabilities may differ from the amount contractually required to pay at maturity. This is as a result of the variable maturity values of the financial liabilities as a consequence of future policyholder investments and withdrawals as well as investment return. The contractual value required to be paid to the policyholder as at 31 December 2008 would not be materially different from the investment contract benefits value in the table 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:

	31 December 2008				31 December 2007			
	Financial assets at fair value through profit and loss*	**Loans and receivables**	**Financial liabilities at fair value through profit and loss***	**Financial liabilities measured at amortised cost**	Financial assets at fair value through profit and loss*	Loans and receivables	Financial liabilities at fair value through profit and loss*	Financial liabilities measured at amortised cost
	£' Million	**£' Million**	**£' Million**	**£' Million**	£' Million	£' Million	£' Million	£' Million
Financial Assets								
Unit linked assets	**(2,413.8)**				1,065.9			
Fixed income securities	**5.6**				1.7			
Investment in Collective Investment Schemes	**10.5**				11.7			
Other receivables								
St. James's Place Partnership loans		**1.7**				2.6		
Deferred LAHC proceeds		**-**				0.3		
Total other receivables		**1.7**				2.9		
Cash & cash equivalents	**3.7**				4.6			
Total Financial Assets	**(2,394.0)**	**1.7**			1,083.9	2.9		
Financial Liabilities								
Investment contract benefits			**(2,536.2)**				697.1	
Borrowings				**-**				-
Other payables				**-**				-
Total Financial Liabilities			**(2,536.2)**	**-**			697.1	-

* All financial assets and liabilities at fair value through profit and loss are designated as such upon initial recognition.

Credit risk

The following table sets out the credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk:

31 December 2008

	AAA	AA	A	Unrated	Unit Linked Funds	Attributable to Unit Holders	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Fixed income securities	49.2				939.9	20.8	1,009.9
Investment in Collective Investment Schemes*	173.1			0.7	1,058.1	7.5	1,239.4
Cash & cash equivalents	3.0	42.7	16.0		2,156.0	35.8	2,253.5
Amounts due from reassurers							
Claims outstanding	0.6	7.5					8.1
Reassurers share of LTBF	0.7	23.4					24.1
Total amount due from reassurers	1.3	30.9					32.2
Other receivables							
St. James's Place Partnership loans				59.3			59.3
Other				81.3	86.5	2.8	170.6
Total other receivables				140.6	86.5	2.8	229.9

* Investment of shareholder assets in Collective Investment Schemes refers to investment in unitised money market funds held for the longer term.

31 December 2007

	AAA	AA	A	Unrated	Unit Linked Funds	Attributable to Unit Holders	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Fixed income securities	44.9				666.0	9.8	720.7
Investment in Collective Investment Schemes*	230.2			1.1	864.1	3.4	1,098.8
Cash & cash equivalents	10.0	48.6	19.9		1,841.3	9.4	1,929.2
Amounts due from reassurers							
Claims outstanding	0.3	6.1					6.4
Reassurers share of LTBF	0.6	25.9					26.5
Total amount due from reassurers	0.9	32.0					32.9
Other receivables							
St. James's Place Partnership loans				41.4			41.4
Other				49.6	68.4	0.8	118.8
Total other receivables				91.0	68.4	0.8	160.2

* Investment of shareholder assets in Collective Investment Schemes refers to investment in unitised money market funds held for the longer term.

Financial assets that are either past due or impaired

Loans to St. James's Place Partnership disclosed in the tables above are shown net of an impairment provision of £8.6 million (2007: £7.0 million). The amount of the impairment loss recognised within Administration Expenses in the income statement was £1.6 million (2007: £0.1 million). 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 analysis

The following table sets out the contractual maturity analysis of the Group's financial assets and financial liabilities as at 31 December 2008:

31 December 2008

	Up to 1 year	1 – 5 years	Over 5 years	Total ex-Unit linked funds and other unit holders	Unit linked funds*	Attributable to unit holders*	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Financial Assets							
Equities				-	8,921.5	269.0	9,190.5
Fixed income securities	13.4	3.2	32.6	49.2	939.9	20.8	1,009.9
Investment in Collective Investment Schemes	173.8			173.8	1,058.1	7.5	1,239.4
Currency forwards				-	0.5	-	0.5
Other receivables							
St. James's Place Partnership loans	7.3	23.6	28.4	59.3			59.3
Other	81.3			81.3	86.5	2.8	170.6
Total other receivables	88.6	23.6	28.4	140.6	86.5	2.8	229.9
Cash & cash equivalents	61.7			61.7	2,156.0	35.8	2,253.5
Financial Liabilities							
Investment contract benefits				-	13,109.8		13,109.8
Borrowings			7.8	7.8			7.8
Currency forwards				-	126.6		126.6
Other payables	78.6			78.6	82.4	0.1	161.1

* Amounts 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.

The table below sets out comparative contractual maturity analysis as at 31 December 2007:

31 December 2007

	Up to 1 year	1 – 5 years	Over 5 years	Total ex-Unit linked funds and other unit holders	Unit linked funds*	Attributable to unit holders*	Total
	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million	£' Million
Financial Assets							
Equities				-	10,535.7	244.7	10,780.4
Fixed income securities		16.1	28.8	44.9	666.0	9.8	720.7
Investment in Collective Investment Schemes	231.3			231.3	864.1	3.4	1,098.8
Currency forwards				-			-
Other receivables							
St. James's Place Partnership loans	6.9	16.7	17.8	41.4			41.4
Deferred LAHC proceeds				-			-
Other	49.6			49.6	68.4	0.8	118.8
Total other receivables	56.5	16.7	17.8	91.0	68.4	0.8	160.2
Cash & cash equivalents	78.5			78.5	1,841.3	9.4	1,929.2
Financial Liabilities							
Investment contract benefits				-	14,144.0		14,144.0
Borrowings			11.2	11.2			11.2
Currency forwards				-	0.2		0.2
Other payables	73.9			73.9	45.0	0.5	119.4

* Amounts 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 associated market risk is therefore borne by policyholders. 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 in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity.

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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 Capital Management and Tax Committee for 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:

	Regulatory Body and Jurisdiction
St. James's Place UK plc	FSA: Long-term insurance business
St. James's Place International plc	Irish Financial Regulator: Life insurance business
St. James's Place Unit Trust Group Ltd	FSA: UCITS Management Company
St. James's Place Wealth Management plc	FSA: Personal Investment Firm
St. James's Place Reinsurance Ltd	Irish Financial Regulator: Reinsurance

The FSA regulatory requirement for St. James's Place UK plc ("SJPUK"), 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, one of the principal committees of the Executive Committee of the St. James's Place plc Board.

There has been no material change in the Group's management of capital during the period.

Capital composition

The principal forms of capital are included in the following balances on the consolidated balance sheet:

	31 December 2008 £' Million	31 December 2007 £' Million
Share capital	**71.9**	71.5
Share premium	**86.3**	82.2
Other reserves	**(10.7)**	(15.9)
Retained earnings	**360.5**	304.7
	508.0	442.5

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 2007	463,858,948	69.6
Scrip dividend	2,422,538	0.4
Exercise of options	10,204,367	1.5
At 31 December 2007	476,485,853	71.5
Scrip dividend	860,179	0.1
Exercise of options	2,206,828	0.3
At 31 December 2008	**479,552,860**	**71.9**

The total authorised number of ordinary shares is 605 million (2007: 605 million), with a par value of 15 pence per share (2007: 15 pence per share). All issued shares are fully paid.

30. Share-based payments

During the year ended 31 December 2008 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 can contribute up to £250 per month over three years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.

- 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 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 68. 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 would be entitled to purchase shares in the future at nominal value (15p). The number of shares the Partners will be 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 2008 amount to 32.9 million shares (2007: 35.0 million). Of these, 29.2 million are under option to Partners of the St. James's Place Partnership, 2.5 million are under option to executives and senior management (including 0.03 million under option to Directors as disclosed in the Remuneration Report on page 75) and 1.2 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 2007 and 2008:

	SAYE	Executive Deferred Bonus	Executive Performance Share Plan	Partner Share Option Schemes	Partner Performance Share Plan
Awards in 2007:					
Date of grant	23 March	8 March	Various	Various	-
Number granted	202,007	730,270	1,202,141	142,975	-
Awards in 2008:					
Date of grant	28 March	5 March	Various	-	-(i)
Number granted	901,292	1,196,061	1,847,290	-	-
Contractual life	3.5 years	3 years	3.5 years	10 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	3 to 6 years service and achievement of personal targets	Sales production for year of award amd subsequent validation over following 3 years

Notes:
(i) The initial allocation for the 2008 award will not be finalised until 2009.

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 Share Option Schemes	Partner Performance Share Plan
Valuation model	Black Scholes	Black Scholes	Monte Carlo	Binomial Lattice	Black Scholes
Awards in 2007:					
Fair value (pence)	152.24 (2)	469.08	263.28/447.75(4)	177.80 to 209.70	-
Share price (pence)	447.75	469.08	362.00 to 457.25(5)	401.25 to 465.00	-
Exercise price (pence)	370.00	0.00	0.00	401.25 to 465.00	
Expected volatility (% pa)(1)	27	N/A	27	38 to 40	-
Expected dividends (% pa)	0.8	N/A(3)	N/A	0.7 to 0.8	-
Risk-free interest rate (% pa)	5.4	N/A	N/A	4.8 to 5.5	-
Volatility of competitors (% pa)	N/A	N/A	18 to 32	N/A	-
Correlation with competitors (% pa)	N/A	N/A	30	N/A	-
Awards in 2008:					
Fair value (pence)	95.68(2)	263.50	161.61/266.25(4)	-	247.8
Share price (pence)	260.00	263.50	266.25 to 274.75(5)	-	276.0
Exercise price (pence)	213.00	0.00	0.00	-	0.15
Expected volatility (% pa)(1)	40	N/A	38	-	31
Expected dividends (% pa)	1.7	N/A(3)	N/A	-	1.4
Risk-free interest rate (% pa)	4.1	N/A	N/A	-	4.5
Volatility of competitors (% pa)	N/A	N/A	24 to 50	-	N/A
Correlation with competitors (% pa)	N/A	N/A	45	-	N/A

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 2007 and 2008, 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 five and seven separate occasions during 2007 and 2008, respectively.
(6) There were no awards made in 2007 or 2008 for the executive share option schemes or the sales management share option schemes.

	Year Ended 31 December 2008 Number of options	**Year Ended 31 December 2008 Weighted average exercise price**	Year Ended 31 December 2007 Number of options	Year Ended 31 December 2007 Weighted average exercise price
SAYE				
Outstanding at start of year	**2,145,435**	**£1.41**	2,183,095	£1.22
Granted	**901,292**	**£2.13**	202,007	£3.70
Forfeited	**(413,609)**	**£2.83**	(67,363)	£2.21
Exercised	**(1,431,248)**	**£0.79**	(172,304)	£1.36
Expired	-		-	
Outstanding at end of year	**1,201,870**	**£2.20**	2,145,435	£1.41
Exercisable at end of year	**8,614**	**£1.58**	45,624	£0.72
Executive Share Options:				
Outstanding at start of year	**2,634,178**	**£1.75**	6,553,950	£1.70
Granted	-		-	
Forfeited	**(70,886)**	**£1.92**	(50,541)	£1.85
Exercised	**(255,973)**	**£1.50**	(3,869,231)	£1.66
Expired	-		-	
Outstanding at end of year	**2,307,319**	**£1.78**	2,634,178	£1.75
Exercisable at end of year	**1,628,298**	**£1.63**	1,325,694	£1.77
Sales Management Share Options:				
Outstanding at start of year	**246,000**	**£1.59**	505,792	£1.56
Granted	-		-	
Forfeited	**(56,250)**	**£1.38**	(142,087)	£1.56
Exercised	**(17,500)**	**£1.51**	(117,705)	£1.50
Expired	-		-	
Outstanding at end of year	**172,250**	**£1.67**	246,000	£1.59
Exercisable at end of year	**172,250**	**£1.67**	119,125	£1.56
Partner Share Options:				
Outstanding at start of year	**29,953,911**	**£2.30**	36,921,350	£2.14
Granted	**-**		142,975	£4.45
Forfeited	**(76,451)**	**£2.64**	(235,850)	£1.81
Exercised	**(643,023)**	**£1.52**	(6,874,564)	£1.54
Expired	-		-	
Outstanding at end of year	**29,234,437**	**£2.31**	29,953,911	£2.30
Exercisable at end of year	**11,896,035**	**£1.73**	11,300,761	£1.72

The average share price during the year was 231.71 pence (2007: 406.22 pence).

The SAYE plan options outstanding at 31 December 2008 had exercise prices of 144 pence, 194 pence, 244 pence and 370 pence and a weighted average remaining contractual life of 1.7 years.

The options outstanding under the executive share option schemes at 31 December 2008 had exercise prices ranging from 85.5 pence to 257 pence and a weighted average remaining contractual life of 5.2 years.

The options outstanding under the sales management share option schemes at 31 December 2008 had exercise prices ranging from 80 pence to 242 pence and a weighted average remaining contractual life of 4.3 years.

The options outstanding under the Partner share option schemes at 31 December 2008 had exercise prices ranging from 75 pence to 465 pence and a weighted average remaining contractual life of 5.3 years.

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 30% correlated and that the comparator index has volatilities ranging between 18% pa and 32% 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 2008 therefore include an allowance for the actual performance of the Company's share price relative to the index over the period between 1 January 2008 and the various award dates.

Charge to profit and loss account

The table below sets out the charge to the profit and loss account in respect of the share-based payment awards that have been made since 7 November 2002:

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Share-based payment expense	**14.9**	12.5

31. Reserves

	Share Premium	Treasury Shares Reserve	Profit and Loss Reserve	Miscellaneous Reserves	Total
	£' Million	£' Million	£' Million	£' Million	£' Million
At 1 January 2007	57.4	(10.7)	263.6	2.3	312.6
Profit for the year			78.1		78.1
Dividends			(47.7)		(47.7)
Issue of share capital					
Scrip dividend	10.3				10.3
Exercise of options	14.5				14.5
Consideration paid for own shares		(10.3)			(10.3)
Own shares vesting charge		2.8	(2.8)		-
P & L reserve credit in respect of proceeds from exercise of share options of shares held in trust			1.0		1.0
P & L reserve credit in respect of share option charges			12.5		12.5
At 31 December 2007	82.2	(18.2)	304.7	2.3	371.0
Profit for the year			67.1		67.1
Dividends			(20.8)		(20.8)
Issue of share capital					
Scrip dividend	2.0				2.0
Exercise of options	2.1				2.1
Consideration paid for own shares		(0.3)			(0.3)
Own shares vesting charge		5.5	(5.5)		-
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			14.9		14.9
At 31 December 2008	**86.3**	**(13.0)**	**360.5**	**2.3**	**436.1**

Miscellaneous reserves represent other non-distributable reserves that arose from Group restructurings prior to the 1997 acquisition of St. James's Place Wealth Management Group plc by St. James's Place plc.

32. Financial commitments

At 31 December 2008 the Group had the following annual commitments under non-cancellable leases in connection with the rental of office buildings with varying lease end dates ranging from 2009 to 2027:

	31 December 2008 £' Million	31 December 2007 £' Million
Within one year	**1.5**	1.0
Between two and five years	**2.6**	2.6
In more than five years	**7.0**	7.3
Total financial commitments	**11.1**	10.9

33. Related party transactions

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

Transactions with HBOS and HBOS group companies

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

- Commission of £2.9 million (2007: £5.1 million) was receivable from the sale of banking services for St. James's Place Bank (a division of Halifax plc).
- Commission of £0.9 million (2007: £1.2 million) was receivable from the sale of Stakeholder pensions offered by Clerical Medical.
- Commission of £4.0 million (2007: 8.2 million) was receivable from the sale of Halifax, Bank of Scotland and Birmingham Midshires mortgages.
- Commission of £0.7 million (2007: £0.5 million) was receivable from the Bank of Scotland Annuity Service.
- Commission of £53,000 (2007: £78,000) was receivable from Bank of Scotland in respect of corporate banking income.
- In 2007, HBOS provided a guarantee at a cost of £0.3 million to the Group's reassurers in respect of the Group's obligations in relation to a financial reassurance arrangement. No equivalent arrangement was in place in 2008.
- During the year, deposits were placed with Bank of Scotland on normal commercial terms. At 31 December 2008 these deposits amounted to £34.9 million (2007: £54.0 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 £65.3 million (2007: £64.1 million).
- Fees of £20,680 (2007: £23,098) were payable to Insight Investment Management Limited in respect of investment management services to a number of St. James's Place life, pension and unit trust funds. The outstanding balance payable at 31 December 2008 was £0 (2007: £5,748).

- Fees of £2.5 million (2007: £4.7 million) were payable to Invista Real Estate Investment Management Limited (55% owned by HBOS) 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 2008 was £0.3 million (2007: £0.4 million).
- Tax fees of £22,637 (2007: £11,450) in respect of annual tax compliance and ad-hoc tax advice were charged by HBOS to certain St. James's Place unit trusts. These fees were borne by St. James's Place Unit Trust Group Limited rather than the unit trusts themselves.
- Fees of £50,000 (2007: £50,000) were payable to HBOS in respect of the services of non-executive St. James's Place Board Directors.
- St. James's Place Board Directors have been included in a directors' and officers' insurance policy negotiated on a group basis by HBOS.

The Company and the Group have received commission from the sale of products offered by Lloyds TSB and Lloyds TSB group companies. These amounts were determined on an arm's length basis. Following the creation of the Lloyds Banking Group, the 2009 Company and Group Financial Statements will disclose such amounts as related party transactions.

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 72. 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 profit and loss account in respect of the share-based payment awards made to the executive Directors of St. James's Place during 2008 was £1.5 million (2007: £2.1 million).

34. Parent company

The ultimate parent company of St. James's Place is HBOS plc, a company registered in Scotland. HBOS plc is the parent of the largest group in which the results of the Company are consolidated. Copies of the consolidation accounts of HBOS plc may be obtained from The Mound, Edinburgh EH1 1YZ.

The immediate parent company is HBOS Insurance and Investment Group Limited, a company registered in England and Wales.

HBOS plc was the ultimate controlling party as at 31 December 2008. Lloyds Banking Group has been the ultimate controlling party of the company since its acquisition of HBOS plc on 19 January 2009.

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 2008, which comprise the Balance Sheet of the parent company and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of St. James's Place plc for the year ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Report and Accounts, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on pages 56 and 57. Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Statement, Financial Commentary, Corporate Social Responsibility Report, Corporate Governance Report, Risk and Risk Management section and Key Performance Indicators that are cross referred from the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Report and Accounts and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Accounting Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

23 February 2009

Balance Sheet of the Parent Company

	Note	31 December 2008 £' Million	31 December 2007 £' Million
Assets			
Investment in subsidiaries	2	**352.1**	337.2
Income tax assets		**1.7**	2.2
Total assets		**353.8**	339.4
Liabilities			
Amounts owed to Group undertakings		**106.5**	115.5
Other creditors		**-**	2.8
Total liabilities		**106.5**	118.3
Net assets		**247.3**	221.1
Shareholders' equity			
Share capital	4	**71.9**	71.5
Share premium	5	**86.3**	82.2
Share option reserves	5	**40.7**	25.8
Other reserves	5	**0.1**	0.1
Retained earnings	5	**48.3**	41.5
Total shareholders' equity		**247.3**	221.1

The financial statements on pages 134 to 137 were approved by the Board of Directors on 23 February 2009 and signed on its behalf by:

D Bellamy
Chief Executive

A Croft
Finance Director

The notes and information on pages 135 to 137 form part of these 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 230 of the Companies Act 1985 not to present its individual income statement and related notes that form part of these financial statements.

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). In accordance with FRS 1 (Cash Flow Statements), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that this is provided in its consolidated financial statements, which are publicly available.

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

Investment in subsidiaries are carried at cost after impairment losses, plus the cost of share awards, granted by the Company of its own shares.

(d) Receivables

Other receivables are stated at amortised cost less impairment losses.

(e) Other creditors and amounts owed to Group undertakings

Other creditors and 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

	2008 £' Million	2007 £' Million
At 1 January	**337.2**	324.7
Movement in the year	**14.9**	12.5
At 31 December	**352.1**	337.2

Movement in the year represents the cost of share options granted by the Company.

Principal Subsidiary Undertakings at 31 December 2008

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
Financial Services	St. James's Place Wealth Management plc
Management Services	St. James's Place Management Services Limited
Internal Reassurance	St. James's Place Reassurance 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 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 and unit trust operating companies of the Group which restricts their ability to transfer cash dividends to the Company.

3. Financial risk

As disclosed in Note 27 to the consolidated financial statements, the Group adopts a prudent approach to the management of financial risk, with a view to minimising where practicable its exposure to market, credit and liquidity risks. As a stand alone entity the Company would be subject to significant liquidity risk since its assets primarily consist of investments in subsidiaries. However, since the Group is managed on a unified basis and is subject to minimal liquidity risk, the Company may, as required, draw on liquid resources from elsewhere within the Group. The Company is not directly subject to market and credit risks.

The Company's financial assets comprise outstanding amounts due in respect of the exercise of share options – these amounts are not interest bearing. The Company's financial liabilities comprise balances owed to other Group companies - these balances are not interest bearing and are repayable on demand.

The carrying values of financial assets and liabilities approximate their fair value.

4. Share capital

Share capital disclosures are made in Note 29 on page 122 of the consolidated financial statements.

5. Reserves

	Share Premium	Profit and Loss Reserve	Share Option Reserve	Other Reserves	Total
	£' Million	£' Million	£' Million	£' Million	£' Million
At 1 January 2007	57.4	79.6	13.3	0.1	150.4
Profit for the year		9.6			9.6
Dividends		(47.7)			(47.7)
Issue of share capital					
Scrip dividend	10.3				10.3
Exercise of options	14.5				14.5
Cost of share options expensed in subsidiary			12.5		12.5
At 31 December 2007	82.2	41.5	25.8	0.1	149.6
Profit for the year		27.6			27.6
Dividends		(20.8)			(20.8)
Issue of share capital					
Scrip dividend	2.0				2.0
Exercise of options	2.1				2.1
Cost of share options expensed in subsidiary			14.9		14.9
At 31 December 2008	**86.3**	**48.3**	**40.7**	**0.1**	**175.4**

6. Auditor's remuneration

The total audit fee in respect of the Group is set out in Note 5 on page 99 of the consolidated financial statements. The audit fee charged to the Company for the year ended 31 December 2008 is £1,000 (2007: £1,000).

Supplementary Information on European Embedded Value Basis

Independent Auditors' Report to St. James's Place plc on the European Embedded Value Basis Supplementary Information

We have audited the EEV basis supplementary information ("the supplementary information") of St. James's Place plc on pages 140 to 150 in respect of the year ended 31 December 2008. The supplementary information has been prepared in accordance with the European Embedded Value Principles issued in May 2004 by the CFO Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 (together "the EEV Principles") using the methodology and assumptions set out on pages 143 to 146. The supplementary information should be read in conjunction with the group financial statements which are on pages 81 to 130.

This report is made solely to the company in accordance with the terms of our engagement. Our audit work 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 audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As described in the Statement of Directors' Responsibilities on pages 56 and 57, the directors' responsibilities include preparing the supplementary information on the EEV basis in accordance with the EEV Principles. Our responsibilities, as independent auditor, in relation to the supplementary information are established in the United Kingdom by the Auditing Practices Board, by our profession's ethical guidance and terms of our engagement.

Under the terms of engagement we are required to report to the company our opinion as to whether the supplementary information has been properly prepared in accordance with the EEV Principles using the methodology and assumptions set out on pages 143 to 146. We also report if we have not received all the information and explanations we require for this audit.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the supplementary information. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of supplementary information, and of whether the accounting policies applied in the preparation of the supplementary information are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the supplementary information is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the supplementary information.

Opinion

In our opinion, the EEV basis supplementary information for the year ended 31 December 2008 has been properly prepared in accordance with the EEV Principles using the methodology and assumptions set out on pages 143 to 146.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

23 February 2009

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.

Consolidated Income Statement

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Life business	**174.1**	189.9
Unit trust business	**50.8**	59.0
Other	**(20.6)**	(4.2)
Operating profit	**204.3**	244.7
Investment return variances	**(320.6)**	(14.5)
Economic assumption changes	**0.4**	0.2
EEV (loss) / profit on ordinary activities before tax	**(115.9)**	230.4
Taxation		
Life business	**11.6**	(44.8)
Unit trust business	**13.2**	(15.3)
Other	**3.7**	(2.0)
Tax rate change	**-**	20.1
	28.5	(42.0)
EEV (loss)/profit on ordinary activities after tax	**(87.4)**	188.4

The notes and information on pages 143 to 150 form part of this supplementary information.

Consolidated Statement of Changes in Equity

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Opening equity shareholders' funds on an EEV basis	**1,203.3**	1,032.7
Post tax (loss) / profit for the year	**(87.4)**	188.4
Issue of share capital	**4.5**	26.7
P&L reserve credit in respect of share option charges	**14.9**	12.5
P&L reserve credit in respect of proceeds from exercise of share options of shares held in trust	**0.1**	1.0
Dividends paid	**(20.8)**	(47.7)
Consideration paid for own shares	**(0.3)**	(10.3)
Closing equity shareholders' funds on an EEV basis	**1,114.3**	1,203.3

The notes and information on pages 143 to 150 form part of this supplementary information.

Consolidated Balance Sheet

	31 December 2008 £' Million	31 December 2007 £' Million
Assets		
Intangible assets		
Deferred acquisition costs	**564.9**	484.6
Value of long-term business in-force		
- long-term insurance	**495.8**	605.1
- unit trusts	**152.1**	199.7
	1,212.8	1,289.4
Property & equipment	**12.2**	10.4
Deferred tax assets	**143.7**	125.2
Investment property	**410.6**	642.5
Investments	**11,440.3**	12,599.9
Reinsurance assets	**32.2**	32.9
Insurance and investment contract receivables	**14.9**	18.0
Income tax assets	**32.4**	19.5
Other receivables	**229.9**	160.2
Cash & cash equivalents	**2,253.5**	1,929.2
Total assets	**15,782.5**	16,827.2
Liabilities		
Insurance contract liabilities	**338.4**	405.4
Other provisions	**12.9**	5.3
Financial liabilities	**13,244.2**	14,155.4
Deferred tax liabilities	**152.7**	251.2
Insurance and investment contract payables	**22.9**	21.8
Deferred income	**372.6**	347.8
Income tax liabilities	**27.6**	50.0
Other payables	**161.1**	119.4
Net asset value attributable to unit holders	**335.8**	267.6
Total liabilities	**14,668.2**	15,623.9
Net assets	**1,114.3**	1,203.3
Shareholders' equity		
Share capital	**71.9**	71.5
Share premium	**86.3**	82.2
Other reserves	**956.1**	1,049.6
Total shareholders' equity	**1,114.3**	1,203.3
	Pence	Pence
Net assets per share	**232.4**	252.5

The supplementary information on pages 140 to 150 was approved by the Board of Directors on 23 February 2009 and signed on its behalf by:

D Bellamy
Chief Executive

A Croft
Finance Director

The notes and information on pages 143 to 150 form part of this supplementary information.

I. Basis of preparation

The supplementary information on pages 140 to 150 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 objective of the EEV basis 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 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; and
- 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%.

(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.

(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) Taxation

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 2008 are set out below:

	Year Ended 31 December 2008	Year Ended 31 December 2007
Risk free rate	**3.5%**	4.7%
Inflation rate	**1.7%**	3.1%
Risk discount rate (net of tax)	**6.6%**	7.8%
Future investment returns:		
- Gilts	**3.5%**	4.7%
- Equities	**6.5%**	7.7%
- Unit linked funds		
- Capital growth	**2.6%**	3.9%
- Dividend income	**3.3%**	3.2%
- Total	**5.9%**	7.1%
Expense inflation	**2.7%**	3.8%
Indexation of capital gains	**1.2%**	2.2%

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

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

(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) Taxation

Future taxation has been determined assuming a continuation of the current tax legislation. The EEV result has been calculated on an after-tax basis 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 26% for UK life and pensions business, 12.5% for Irish life and pensions business and 28% for unit trust business.

IV. Components of EEV profit

(a) Life business

	Note	**Year Ended 31 December 2008 £' Million**	Year Ended 31 December 2007 £' Million
New business contribution	1	**93.0**	114.5
Profit from existing business			
Unwind of discount rate		**63.4**	59.1
Experience variances		**13.7**	12.2
Operating assumption changes		**(0.9)**	(2.8)
Investment income		**4.9**	6.9
Operating profit before tax		**174.1**	189.9
Investment return variances		**(223.0)**	(9.5)
Economic assumption changes		**0.9**	(0.3)
(Loss)/profit before tax		**(48.0)**	180.1
Attributed tax		**11.6**	(44.8)
Tax rate change		-	15.8
(Loss)/profit after tax		**(36.4)**	151.1

Note 1: New business contribution after tax is £69.7 million (2007: £86.3 million)

(b) Unit trust business

	Note	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
New business contribution	1	**30.5**	36.4
Profit from existing business			
Unwind of discount rate		**17.1**	18.6
Experience variances		**3.2**	4.0
Operating assumption changes		**-**	-
Operating profit before tax		**50.8**	59.0
Investment return variances		**(97.6)**	(5.0)
Economic assumption changes		**(0.5)**	0.5
(Loss) / profit before tax		**(47.3)**	54.5
Attributed tax		**13.2**	(15.3)
Tax rate change		**-**	4.3
(Loss) / profit after tax		**(34.1)**	43.5

Note 1: New business contribution after tax is £22.0 million (2007: £26.2 million)

(c) Combined life and unit trust business

	Note	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
New business contribution	1	**123.5**	150.9
Profit from existing business:			
Unwind of discount rate		**80.5**	77.7
Experience variances		**16.9**	16.2
Operating assumption changes		**(0.9)**	(2.8)
Investment income		**4.9**	6.9
Operating profit before tax		**224.9**	248.9
Investment return variances		**(320.6)**	(14.5)
Economic assumption changes		**0.4**	0.2
(Loss) / profit before tax		**(95.3)**	234.6
Attributed tax		**24.8**	(60.1)
Tax rate change		**-**	20.1
(Loss)/profit after tax		**(70.5)**	194.6

Note 1: New business contribution after tax is £91.7 million (2007: £112.5 million).

(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 2008 are shown separately between the movement in IFRS net assets and the present value of the in-force business (PVIF) in the table below. All figures are shown net of tax

	Movement in IFRS Net Assets	**Movement in PVIF**	**Movement in EEV**
	£' Million	**£' Million**	**£' Million**
New business contribution	**(49.3)**	**141.0**	**91.7**
Profit from existing business	**112.5**	**(112.5)**	**-**
Unwind of discount rate	**-**	**59.9**	**59.9**
Experience variances	**31.9**	**(20.3)**	**11.6**
Operating assumption changes	**3.4**	**(4.1)**	**(0.7)**
Investment return	**3.9**	**-**	**3.9**
Investment return variances	**(17.2)**	**(220.2)**	**(237.4)**
Economic assumption changes	**(1.2)**	**1.7**	**0.5**
Miscellaneous	**(16.9)**	**-**	**(16.9)**
Profit after tax	**67.1**	**(154.5)**	**(87.4)**

The main component of the experience variances derives from the setting up of an internal reassurance arrangement for pensions new business and various other one-off tax effects during 2008.

The comparative figures for 2007, are as follows:

	Movement in IFRS Net Assets	Movement in PVIF	Movement in EEV
	£' Million	£' Million	£' Million
New business contribution	(54.6)	167.1	112.5
Profit from existing business	95.4	(95.4)	-
Unwind of discount rate	-	57.8	57.8
Experience variances	28.4	(16.8)	11.6
Operating assumption changes	5.4	12.6	18.0
Investment return	5.5	-	5.5
Investment return variances	(1.1)	(9.9)	(11.0)
Economic assumption changes	(0.6)	0.8	0.2
Miscellaneous	(0.3)	(5.9)	(6.2)
Profit after tax	78.1	110.3	188.4

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 various assumptions. In each case, only the indicated item is varied relative to the restated values.

	Note	Change in new business contribution Pre-tax £' Million	Change in new business contribution Post-tax £' Million	Change in European Embedded Value Post-tax £' Million
Value at 31 December 2008		**123.5**	**91.7**	**1,114.3**
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(1.1)	(0.8)	0.4
10% reduction in withdrawal rates		11.9	8.8	42.0
10% reduction in expenses		2.7	2.0	14.8
10% reduction in market value of equity assets	2	-	-	(90.7)
5% reduction in mortality and morbidity	3	0.0	0.0	0.3
100bp increase in equity expected returns	4	-	-	-

Note 1: This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.

Note 2: For the purposes of this required sensitivity, all unit linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.

Note 3: Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.

Note 4: As a market-consistent approach is used, equity expected returns only affect the derived discount rates and not the embedded value or contribution to profit from new business.

	Change in new business contribution Pre-tax £' Million	Change in new business contribution Post-tax £' Million	Change in European Embedded Value Post-tax £' Million
100bp reduction in risk discount rate	20.9	15.5	69.8

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.

VI. Reconciliation of IFRS and EEV profit before tax and net assets

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
IFRS (loss)/profit before tax	**(31.4)**	103.2
Movement in life value of in-force	**(19.1)**	88.6
Movement in unit trust value of in-force	**(65.4)**	38.6
Total EEV profit before tax	**(115.9)**	230.4

	31 December 2008 £' Million	31 December 2007 £' Million
IFRS net assets	**508.0**	442.5
Less: acquired value of in-force	**(57.7)**	(61.0)
Add: deferred tax on acquired value of in-force	**16.1**	17.0
Add: life value of in-force	**495.8**	605.1
Add: unit trust value of in-force	**152.1**	199.7
EEV net assets	**1,114.3**	1,203.3

VII. Reconciliation of life company free assets to consolidated group equity and analysis of movement in free assets

	31 December 2008 £' Million	31 December 2007 £' Million
Life company free assets	**110.8**	100.5
Required life company solvency capital	**41.1**	39.5
Other subsidiaries, consolidation and IFRS adjustments	**356.1**	302.5
IFRS net assets	**508.0**	442.5

	Year Ended 31 December 2008 £' Million	Year Ended 31 December 2007 £' Million
Life company free assets at 1 January	**100.5**	105.4
Investment in new business	**(66.0)**	(55.6)
Profit from existing business	**74.0**	51.8
Investment return	**3.9**	5.4
Movement in required solvency capital	**(1.6)**	(6.5)
Life company free assets at 31 December	**110.8**	100.5

Shareholder Information

Analysis of number of shareholders

Analysis by number of shares	Holders	%	Shares held	%
1 – 999	2,662	42.2	1,076,383	0.2
1,000– 9,999	2,816	44.7	8,387,574	1.8
10,000 – 99,999	637	10.1	17,878,509	3.7
100,000 and above	189	3.0	452,210,394	94.3
	6,304	100.0	479,552,860	100.0

Financial calendar

Ex-dividend date for final dividend	4 March 2009
Calculation period for scrip final dividend	4 - 10 March 2009
Record date for final dividend	6 March 2009
Latest date for receipt of scrip dividend mandates	22 April 2009
Announcement of first quarter new business	28 April 2009
Annual General Meeting	30 April 2009
Payment date for final dividend	13 May 2009
Announcement of Interim Results and second quarter new business	29 July 2009
Announcement of third quarter new business	3 November 2009

Scrip dividend

If you would prefer to receive, subject to shareholder approval, new shares instead of cash dividends, please complete a scrip dividend mandate, which is available from the Registrars, Computershare Investor Services Plc. Their contact details are on page 153.

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 service can be obtained by logging on to: www.computershare.com/dealing/uk

How to Contact Us and Advisers

How to Contact Us and Advisers

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