

St. James's Place Unit Trust Group Limited

**Annual report
for the year ended 31 December 2007**

Registered no: 947644

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St. James's Place Unit Trust Group Limited
Annual report
for the year ended 31 December 2007

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St. James's Place Unit Trust Group Limited

Directors and advisers

Executive directors

Mr M S Wilson (Chairman)
Mr A H Batchelor
Mr D C Bellamy
Mr R Chatterton
Mr A M Croft
Mr I Gascoigne
Mr H J Gladman
Mr M R Gravestock
Ms S Harris
Mr D J Lamb
Mr M J Lund (resigned 4 Jan 2007)
Mr W P Tonks
Mr S P Williams

Auditors

KPMG Audit Plc
1 Canada Square
London
E14 5AG

Secretary

St James's Place Administration Limited

Registered office

St James's Place House
Dollar Street
Cirencester
Gloucestershire
GL7 2AQ

Bankers

Bank of Scotland
150 Fountainbridge
Edinburgh
EH3 9PE

St. James's Place Unit Trust Group Limited

Directors' report

for the year ended 31 December 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007

Business review

The company, which is a wholly owned subsidiary of St James's Place Wealth Management Group plc (which in turn is a wholly owned subsidiary of St James's Place plc ('SJP')), acts as a unit trust manager. The company is authorised and regulated by the Financial Services Authority and is a member of the Investment Management Association (IMA)

In its capacity as a unit trust manager, the company manages 11 different unit trusts which are each classified under the Financial Services Authority's new Collective Investment Scheme Sourcebook as UCITS Schemes. Investments in each unit trust are eligible to be classified as ISAs and PEPs

Sales of the company's unit trust products are made through the St James's Place Partnership, which is the sole distribution arm for the complete range of St James's Place group range of wealth management products. Further information regarding the St James's Place Partnership and the range of wealth management products is included within the business review of the consolidated accounts of St James's Place plc

Back office administration of the company along with the fund administration of the underlying unit trusts is outsourced to third parties. Investment management of the underlying assets of the unit trusts is also contracted out to a number of carefully selected investment management firms. This approach to fund management is adopted by the St James's Place group as a whole for the management of our clients' investments be they investment bonds, pensions or unit trusts. Further information relating to the St James's Place investment management approach, including the performance monitoring of the underlying unit trusts, is included within the business review of the consolidated accounts of St James's Place plc

The strategy and performance measurement of the company's business are not considered by the Board in isolation from the rest of the St James's Place group business. Accordingly at a group level, the St James's Place plc Board establishes a business plan for the whole group, which is monitored regularly. As part of that process, key performance indicators (KPIs) are also set and monitored by the Board at a group level. These KPIs include new business growth (on an Annual Premium Equivalent basis), group European Embedded Value operating profits and growth in the size and productivity of the St James's Place Partnership

The company operates within the St James's Place Group 'Risk Management Framework' as described in the business review of St James's Place plc annual report and accounts. This 'Risk Management Framework' describes the risk management policies and procedures that are applicable to the company. The Principal Risks & Uncertainties facing the St James's Place Group are set out in the business review of the consolidated accounts of St James's Place plc annual report and accounts

The financial statements for the year ended 31 December 2007 are set out on pages 10 to 17. The retained profit for the year is disclosed on page 10. The directors declared an interim dividend of £5.00 per share on 17 December 2007 (2006: £2.00 per share on 25 April 2006). No final dividend is recommended by the Board.

During the year, the company increased its new business sales on an Annual Premium Equivalent (APE) basis by 27% from £54.5 million to £69.5 million.

St. James's Place Unit Trust Group Limited **Directors' report** **for the year ended 31 December 2007**

Directors

The directors of the company are listed on page 2 Mr M Lund resigned as a director on 4 January 2007

Directors' interests

None of the directors have a beneficial interest in the shares of the company

The interests of Mr D Bellamy, Mr A Croft, Mr I Gascoigne, Mr D J Lamb and Mr M S Wilson in the shares of HBOS plc, the company's ultimate parent undertaking, and in the shares of the parent company, St James's Place plc ("SJP plc"), are disclosed in the consolidated financial statements of SJP plc

The interests of those directors who are not also directors of SJP plc are detailed below -

Executive Share Option Scheme

Director	Options held at 1 January 2007	Granted/ (Exercised) in year	Options held at 31 December 2007	Exercise Price	Date from which Exercisable	Expiry Date
A Batchelor	126,050	(126,050)	-	£1 78½	27 Feb 2008	27 Feb 2014
R Chatterton	-	-	-	-	-	-
H Gladman	113,445	(113,443)	-	£1 78½	27 Feb 2008	27 Feb 2014
M Gravestock	109,243	(109,243)	-	£1 78½	27 Feb 2008	27 Feb 2014
S Harris	7,500	-	7,500	£2 23½	1 Jan 2004	24 Dec 2009
	17,500	-	17,500	£1 45	27 Feb 2008	13 Dec 2010
	30,000	-	30,000	£1 45	15 Mar 2008	15 Mar 2012
	79,831	(79,831)	-	£1 78½	27 Feb 2008	27 Feb 2014
W Tonks	50,000	-	50,000	£2 46	22 Mar 2008	22 Mar 2010
S Williams	105,042	(105,042)	-	£1 78½	27 Feb 2008	27 Feb 2014

On 27 February 2007, Mr A Batchelor, Mr H Gladman, Mr M Gravestock, Ms S Harris and Mr S Williams exercised 126,050, 113,443, 109,243, 79,831 and 105,042 share options respectively when the mid market close price of St James's Place plc ordinary 15p shares was £4 69 per share

The exercise price corresponds with the market price (as defined in the Scheme rules) on the date on which the options were granted

St. James's Place Unit Trust Group Limited
Directors' report
for the year ended 31 December 2007

Directors' interests (continued)

All Employee Share Option Scheme

Director	Options held at 1 January 2007	Granted/ (Exercised) In year	Options held at 31 December 2007	Exercise Price	Date from which exercisable	Expiry date
A Batchelor	22,812	-	22,812	£0 72	1 May 2008	31 Oct 2008
R Chatterton	1,072	-	1,072	£2 44	1 May 2009	31 Oct 2009
H Gladman	3,831	-	3,831	£2 44	1 May 2009	31 Oct 2009
M Gravestock	11,406	-	11,406	£0 72	1 May 2008	31 Oct 2008
	1,915	-	1,915	£2 44	1 May 2009	31 Oct 2009
S Harris	22,812	-	22,812	£0 72	1 May 2008	31 Oct 2008
W Tonks	8,518	-	8,518	£1 94	1 May 2010	31 Oct 2010
S Williams	22,812	-	22,812	£0 72	1 May 2008	31 Oct 2008

Deferred Bonus Scheme – shares held

Director	Balance at 1 January 2007	Granted/ (Released) in year	Balance at 31 December 2007	Vesting Date
A Batchelor	20,188	(20,188)	-	30 Mar 2007
	18,595	-	18,595	29 Mar 2008
	26,640	-	26,640	8 Mar 2009
	-	20,465	20,465	8 Mar 2010
R Chatterton	15,039	-	15,039	8 Mar 2009
	-	19,186	19,186	8 Mar 2010
H Gladman	18,169	(18,169)	-	30 Mar 2007
	19,524	-	19,524	29 Mar 2008
	25,781	-	25,781	8 Mar 2009
	-	19,186	19,186	8 Mar 2010
M Gravestock	24,495	(24,495)	-	30 Mar 2007
	18,801	-	18,801	29 Mar 2008
	24,921	-	24,921	8 Mar 2009
	-	18,546	18,546	8 Mar 2010
S Harris	12,786	(12,786)	-	30 Mar 2007
	14,721	-	14,721	29 Mar 2008
	18,906	-	18,906	8 Mar 2009
	-	16,628	16,628	8 Mar 2010
W Tonks	25,208	-	25,208	8 Mar 2009
	-	20,465	20,465	8 Mar 2010
S Williams	16,823	(16,823)	-	30 Mar 2007
	16,787	-	16,787	29 Mar 2008
	22,343	-	22,343	8 Mar 2009
	-	17,907	17,907	8 Mar 2010

St. James's Place Unit Trust Group Limited **Directors' report** **for the year ended 31 December 2007**

Directors' interests - Deferred Bonus Scheme (continued)

Share awards were granted on 8 March 2007, equal in value to the 2006 annual cash bonus. There shares will be held in trust for a restricted period ending on 8 March 2010. The share price on 8 March 2007 was £4.42.

Outstanding awards at the year end relate to share awards granted in 2005, 2006 and 2007 (where the restricted period ends on 29 March 2008, 8 March 2009 and 8 March 2010 respectively). The share price at the date of award for the 2006 grant (8 March 2006) was £3.20. The share price at the date of the award for the 2005 grant (29 March 2005) was £2.42.

Performance Share Plan

Director	Balance at 1 January 2007	Granted/ (Exercised) in year	Balance at 31 December 2007	Date from which exercisable	Expiry date
A Batchelor	52,901	-	52,901	17 May 2008	17 Nov 2008
	37,617	-	37,617	2 Mar 2009	2 Sept 2009
	-	27,823	27,823	2 Mar 2010	2 Sept 2010
R Chatterton	32,502	-	32,502	17 May 2008	17 Nov 2008
	35,266	-	35,266	2 Mar 2009	2 Sept 2009
	-	24,549	24,549	2 Mar 2010	2 Sept 2010
H Gladman	51,194	-	51,194	17 May 2008	17 Nov 2008
	35,266	-	35,266	2 Mar 2009	2 Sept 2009
	-	25,777	25,777	2 Mar 2010	2 Sept 2010
M Gravestock	49,488	-	49,488	17 May 2008	17 Nov 2008
	34,090	-	34,090	2 Mar 2009	2 Sept 2009
	-	24,549	24,549	2 Mar 2010	2 Sept 2010
S Harris	37,542	-	37,542	17 May 2008	17 Nov 2008
	30,564	-	30,564	2 Mar 2009	2 Sept 2009
	-	22,094	22,094	2 Mar 2010	2 Sept 2010
W Tonks	54,607	-	54,607	17 May 2008	17 Nov 2008
	37,617	-	37,617	2 Mar 2009	2 Sept 2009
	-	28,641	28,641	2 Mar 2010	2 Sept 2010
S Williams	44,368	-	44,368	17 May 2008	17 Nov 2008
	32,915	-	32,915	2 Mar 2009	2 Sept 2009
	-	23,731	23,731	2 Mar 2010	2 Sept 2010

Ordinary Shares in SJP plc

Director	31 December 2007		1 January 2007	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
A Batchelor	81,722	21,497	81,445	21,497
R Chatterton	34,225	-	15,039	-
H Gladman	156,324	-	129,129	-
M Gravestock	103,910	-	109,859	-
S Harris	74,475	-	70,633	-
W Tonks	45,673	-	25,208	-
S Williams	77,037	80,000	85,953	80,000

The beneficial interests set out above include the deferred bonus scheme awards held in trust for the directors, details of which are set out on page 5. The register of directors' interests for SJP plc, which is open to inspection, contains full details of director's shareholdings and options to subscribe.

St. James's Place Unit Trust Group Limited
Directors' report
for the year ended 31 December 2007

Directors' interests (continued)

The exercise price corresponds with the share price (as defined in the Scheme rules) on the date on which the options were granted. As at 31 December 2007 the share price of St James's Place plc was £2.76. The range of prices between 1 January 2007 and 31 December 2007 was £2.56 to £4.84.

Share Interests in HBOS plc

The interests of directors in the share capital of HBOS plc as at the beginning and end of the year, are given below:

Director	31 December 2007 Ordinary Shares of 25 pence each		1 January 2007 Ordinary Shares of 25 pence each	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
A Batchelor	1,824	-	1,824	-

Employees

The company has no employees.

Payment policy for creditors

The payment of supplier invoices is made on the company's behalf by St James's Place Management Services Limited ("SJPMs"), a fellow subsidiary company.

It is SJPMs's policy to pay creditors in accordance with the Confederation of British Industry (CBI) Better Practice Payment Code on supplier payments. SJPMs's average number of days' purchases outstanding in respect of trade creditors at 31 December 2007 was 16 days (2006: 11 days).


Auditors

KPMG Audit Plc has indicated its willingness to continue in office. The company has elected, by way of an elective resolution dated 16 August 1995, to dispense with the obligation to appoint auditors annually.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board


St James's Place Administration Limited
Corporate Secretary

25 February 2008

St. James's Place Unit Trust Group Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the 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 company and to prevent and detect fraud and other irregularities.

St. James's Place Unit Trust Group Limited

Independent auditors' report to the members of St. James's Place Unit Trust Group Limited

We have audited the financial statements ("the financial statements") of St James's Place Unit Trust Group Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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 page 8.

Our responsibility is to audit the 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 financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements. 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 directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the 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 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 financial statements.

Opinion

In our opinion:

- the 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

25 FEBRUARY 2008

St. James's Place Unit Trust Group Limited
Profit and loss account
for the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Turnover	2	64,834	52,536
Operating expenses	3	(43,014)	(31,857)
Operating profit		21,820	20,679
Interest receivable and similar income		1,948	962
Profit on ordinary activities before taxation		23,768	21,641
Tax on profit on ordinary activities	6	(7,083)	(6,457)
Profit on ordinary activities after taxation, being profit for the financial year		16,685	15,184
Dividends paid	7	(10,000)	(4,000)
Retained profit	12	6,685	11,184

The result for the year relates wholly to continuing operations

The company has no other recognised gains and losses during the current and previous year and therefore a separate statement of total recognised gains and losses has not been presented

The notes on pages 12 to 17 form an integral part of these financial statements

St. James's Place Unit Trust Group Limited
Balance sheet
as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Investments			
Deposits with credit institutions		28,866	-
Current assets			
Stock of units		1,156	554
Debtors	8	12,832	11,755
Cash at bank and in hand		17,832	23,879
		<hr/>	<hr/>
		31,820	36,188
Creditors: amounts falling due within one year	9	(36,795)	(18,982)
		<hr/>	<hr/>
Net current (liabilities)/assets		(4,975)	17,206
		<hr/>	<hr/>
Net assets		23,891	17,206
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	2,000	2,000
Profit and loss account	12	21,891	15,206
		<hr/>	<hr/>
Equity shareholders' funds	11	23,891	17,206
		<hr/>	<hr/>

The financial statements on pages 10 to 17 were approved by the board of directors on 25 February 2008 and were signed on its behalf by



Director

The notes on pages 12 to 17 form an integral part of these financial statements

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2007

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The company has taken advantage of the exemption permitted under FRS1 (revised) not to prepare a cash flow statement as it is a wholly owned subsidiary of SJP plc, which prepares a consolidated cash flow statement dealing with the cash flows of the group.

Turnover

Turnover represents commissions and fees receivable by the company from the management of unit trusts.

Stock of units

Units held by the manager are valued at the lower of cost or net realisable value.

Investment income

Income from investments is included in the profit and loss account on an accruals basis.

Unearned commission

Unearned commission is recognised upon payment made as an asset in the balance sheet, which is then expensed to the profit and loss account over the period it is earned (up to the initial 60 month period of acceleration).

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all timing differences. The provision for a deferred tax asset is only made to the extent that a timing difference will be of future benefit.

2 Segmental analysis by class of business and geographical area

In the opinion of the directors, the company has carried on business of only one class and has supplied markets that do not differ substantially from each other. All turnover is derived from within the United Kingdom.

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2007

3 Other operating expenses

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Distribution costs	11,715	5,807
Administrative expenses	31,299	26,050
	<hr/>	<hr/>
	43,014	31,857
	<hr/>	<hr/>

4 Directors' emoluments

None of the directors received any emoluments in respect of their services to the company for the year (2006 – nil)

The number of directors to whom retirement benefits are accruing is 12 (2006 13) The benefits are accrued in the pension scheme of St James's Place UK plc, a fellow subsidiary company

The number of directors who exercised options over the shares in SJP plc during the year is 10 (2006 10)

5 Auditors' remuneration

The statutory audit fee of £25,000 (2006 £25,000) was paid on behalf of the company by another group company, St James's Place Management Services Limited, and subsequently recharged back to the company

There were no fees paid to the company's auditor, KPMG Audit Plc, or its associates, for services other than the statutory audit of the company

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2007

6 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period:

	2007 £'000	2006 £'000
Corporation tax at 30% (2006 30%) - current year	7,083	6,457
Total current tax charge for the period	7,083	6,457
Deferred taxation - current year	-	-
Total tax charge for the year	7,083	6,457

(b) Factors affecting the tax charge for the current period:

The standard rate of corporation tax in the UK is 30% (2006 30%) Differences to the actual current tax charge for the period (which excludes the deferred tax charge) are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	23,768	21,641
Corporation tax at 30%	7,130	6,492
Effects of:		
Transfer pricing adjustment FA2006 Sch 28AA(I)	(46)	(35)
Non taxable adjustments re intergroup companies	(1)	-
	(47)	(35)
Current tax charge for the year	7,083	6,457

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2007

7 Dividends

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Ordinary		
Interim paid of £5 00 per share (2006 £2 00)	10,000	4,000

8 Debtors

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Dealing debtors	11,394	3,923
Amounts due from group undertakings	1,313	-
Unearned commission	-	4,121
Corporation tax	-	3,260
Other debtors	16	201
Prepayments	109	250
	12,832	11,755

9 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Dealing creditors	16,397	10,803
Amounts owed to group undertakings	4,211	1,243
Corporation tax	7,083	-
Other creditors	7,374	6,149
Accruals and deferred income	1,730	787
	36,795	18,982

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2007

10 Called up share capital

	2007 £'000	2006 £'000
Authorised, allotted, called up and fully paid		
2,000,000 Ordinary shares of £1 each	2,000	2,000

11 Reconciliation of movement in equity shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	16,685	15,184
Dividends paid	(10,000)	(4,000)
Net addition to shareholders' funds	6,685	11,184
Opening shareholders' funds	17,206	6,022
Closing shareholders' funds	23,891	17,206

12 Profit and loss account

	2007 £'000	2006 £'000
At 1 January	15,206	4,022
Retained profit for the year	6,685	11,184
At 31 December	21,891	15,206

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2007

13 Ultimate parent undertaking

The ultimate parent undertaking 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 consolidated accounts of HBOS plc may be obtained from The Mound, Edinburgh, EH1 1YZ

The immediate parent company is St James's Place Wealth Management Group plc, a company registered in England and Wales

The parent undertaking of the smallest group to consolidate the accounts of the company is St James's Place plc, a company registered in England and Wales, copies of whose consolidated accounts may be obtained from the Company Secretary, St James's Place plc, St James's Place House, Dollar Street, Cirencester, Gloucestershire, GL7 2AQ

14 Related party transactions

Advantage has been taken of the exemption from disclosure of related party transactions with companies within the group whose parent company is St James's Place plc on the grounds that 90 per cent of the company's voting rights are controlled within the group

15 Registered office

The address of the registered office is St James's Place House, Dollar Street, Cirencester, Gloucestershire, GL7 2AQ