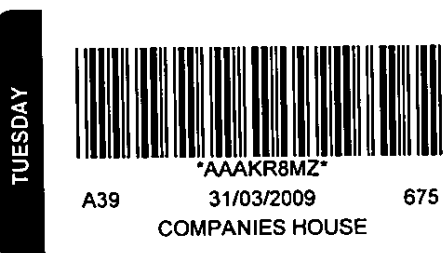


St. James's Place Unit Trust Group Limited

**Annual report
for the year ended 31 December 2008**

Registered no: 947644



St. James's Place Unit Trust Group Limited
Annual report
for the year ended 31 December 2008

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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 (resigned 30 May 2008)
Mr A M Croft
Mr I Gascoigne
Mr H J Gladman
Mr M R Gravestock
Mrs S Gravestock
Mr D J Lamb
Mr W P Tonks
Mr S P Williams (resigned 30th May 2008)

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 2008

The directors present their report and the audited financial statements for the year ended 31 December 2008.

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 20 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 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 including investment bonds, pensions and 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's 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 2008 are set out on pages 7 to 14. The retained profit for the year is disclosed on page 13. The directors declared interim dividends of £5.00 per share on 9 June 2008, £5.00 per share on 30 July 2008 and £3.75 per share on 19 December 2008 (2007: £5.00 per share on 17 December 2007). No final dividend is recommended by the Board.

During the year, the company's new business sales on an Annual Premium Equivalent (APE) basis decreased by 1.4% from £69.5 million to £68.5 million.

St. James's Place Unit Trust Group Limited
Directors' report
for the year ended 31 December 2008

Change of ultimate control

HBOS plc was acquired by the Lloyds Banking Group plc on 19 January 2009.

Directors

The directors of the company are listed on page 2. Mr R Chatterton and Mr S P Williams resigned as directors on 30 May 2008.

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 Lloyds Banking Group, the company's ultimate parent undertaking since its acquisition of HBOS plc on 19 January 2009, 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.

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 2008 was 20 days (2007: 16 days).

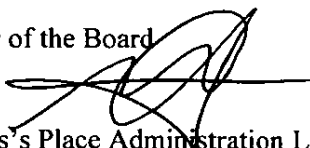
Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit plc will therefore continue in office

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 March 2009

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 2008 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 5.

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 2008 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 March 2009

St. James's Place Unit Trust Group Limited
Profit and loss account
for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Turnover	2	62,843	64,834
Operating expenses	3	(43,728)	(43,014)
Operating profit		19,115	21,820
Interest receivable and similar income		2,508	1,948
Interest payable		(11)	-
Profit on ordinary activities before taxation		21,612	23,768
Tax on profit on ordinary activities	6	(6,173)	(7,083)
Profit on ordinary activities after taxation, being profit for the financial year		15,439	16,685

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 9 to 15 form an integral part of these financial statements.

St. James's Place Unit Trust Group Limited
Balance sheet
as at 31 December 2008

	Notes	2008 £'000	2007 £'000
Investments			
Deposits with credit institutions		15,628	28,866
Current assets			
Stock of units		713	1,156
Debtors	8	35,946	12,832
Cash at bank and in hand		11,268	17,832
		<hr/> 47,927	<hr/> 31,820
Creditors: amounts falling due within one year	9	(51,725)	(36,795)
		<hr/> (3,798)	<hr/> (4,975)
Net current (liabilities)/assets			
		<hr/> 11,830	<hr/> 23,891
Net assets			
Capital and reserves			
Called up share capital	10	2,000	2,000
Profit and loss account	12	9,830	21,891
		<hr/> 11,830	<hr/> 23,891
Equity shareholders' funds	11		
		<hr/> 11,830	<hr/> 23,891

The financial statements on pages 7 to 15 were approved by the board of directors on 25 March 2009 and were signed on its behalf by:



Director

The notes on pages 9 to 15 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 2008

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 FRS 1 (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 as an asset in another Group company's balance sheet, it 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 2008

3 Other operating expenses

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Distribution costs	11,362	11,715
Administrative expenses	32,366	31,299
	<hr/>	<hr/>
	43,728	43,014
	<hr/>	<hr/>

4 Directors' emoluments

None of the directors received any emoluments in respect of their services to the company for the year (2007 – nil).

The number of directors to whom retirement benefits are accruing is 10 (2007: 12). 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 (2007: 10).

5 Auditors' remuneration

The statutory audit fee of £25,000 (2007: £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 2008

6 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period:

	2008 £'000	2007 £'000
Corporation tax at 28.5% (2007: 30%) - current year	6,173	7,083
Total current tax charge for the period	6,173	7,083

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

The standard rate of corporation tax in the UK is 28.5% (2007: 30%). Differences to the actual current tax charge for the period (which excludes the deferred tax charge) are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	21,612	23,768
Corporation tax at 28.5%	6,159	7,130
Effects of:		
Transfer pricing adjustment FA2006 Sch 28AA(I)	18	(46)
Non taxable adjustments re intergroup companies	(4)	(1)
	14	(47)
Current tax charge for the year	6,173	7,083

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2008

7 Dividends

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Ordinary:		
Interim dividends paid in the year £5.00, £5.00 and £3.75 per share (2007: £5.00)	27,500	10,000

8 Debtors

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Dealing debtors	33,115	11,394
Amounts due from group undertakings	2,157	1,313
Other debtors	584	16
Prepayments	90	109
	35,946	12,832

9 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Dealing creditors	38,248	16,397
Amounts owed to group undertakings	529	4,211
Corporation tax	6,172	7,083
Other creditors	4,622	7,374
Accruals and deferred income	2,154	1,730
	51,725	36,795

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2008

10 Called up share capital

	2008 £'000	2007 £'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

	2008 £'000	2007 £'000
Profit for the financial year	15,439	16,685
Dividends paid	(27,500)	(10,000)
Net addition to shareholders' funds	(12,061)	6,685
Opening shareholders' funds	23,891	17,206
Closing shareholders' funds	11,830	23,891

12 Profit and loss account

	2008 £'000	2007 £'000
At 1 January	21,891	15,206
Profit for the financial year	15,439	16,685
Less dividends paid in the year	(27,500)	(10,000)
At 31 December	9,830	21,891

There has been a change in the presentation of the Profit and loss account from that shown in the previous year. The Profit and loss for the year and dividends paid in the year are now shown separately both in 2007 and 2008.

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2008

13 Ultimate parent undertaking of larger group of which the company is a member

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.

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 19th January 2009.

14 Post balance sheet event

As described in the ultimate parent company note there was a change of ownership on 19th January 2009. This is being disclosed as a non-adjusting post balance sheet event.

15 Related party transactions

As the Company is a wholly owned subsidiary of St. James's Place plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of St. James's Place plc, within which this Company is included, can be obtained from the Company Secretary, St James's Place plc, St. James's Place House, Dollar Street, Cirencester, Gloucestershire, GL7 2AQ.

HBOS and HBOS Group Companies

Tax fees of £22,637 (2007: £11,450) in respect of annual tax compliance and ad-hoc tax advice were charged by HBOS plc to certain unit trusts. These fees borne by St. James's Place Unit Trust Group rather than the unit trusts themselves.

During the year, deposits were placed with Bank of Scotland on normal commercial terms. At 31 December 2008 these deposits amounted to £7.6 million (2007: £17.5 million).

16 Going concern

Going concern has been evaluated at group level for all subsidiaries by the directors of St. James's Place plc. They concluded that it was reasonable to expect the company to remain as a unit trust management company for a period of not less than 12 months from the date the accounts were approved.

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2008

17 Registered office

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