

St. James's Place Unit Trust Group Limited

**Annual report and financial statements
for the year ended 31 December 2011**

Registered number: 00947644

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St. James's Place Unit Trust Group Limited
Annual report and financial statements
for the year ended 31 December 2011

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St. James's Place Unit Trust Group Limited

Directors and advisers

Executive directors

Mr M S Wilson resigned 23/5/11
Mr D C Bellamy
Mr A M Croft
Mr I Gascoigne
Mr H J Gladman resigned 31/12/11
Mr D J Lamb
Mr W P Tonks resigned 31/12/11

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street
Bristol
BS1 5QD

Company Secretary

St. James's Place Administration Limited

Registered office

St James's Place House
1 Tetbury Road
Cirencester
Gloucestershire
GL7 1FP

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 2011

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2011

Business review, principal activities and future developments

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 30 different unit trusts (2010: 28) 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 financial statements. 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 financial statements of St James's Place plc.

The financial statements for the year ended 31 December 2011 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 20 June 2011, £5.00 per share on 29 September 2011 and £4.00 per share on 22 December 2011 (2010: £3.50 per share on 22 June 2010 and £5.50 per share on 24 December 2010). No final dividend is recommended by the Board (2010: nil).

During the year, the company's dealing profit earned from new business sales increased by 10.0% from £51.3 million to £56.4 million and net fee income earned from funds under management increased by 23.7% from £77.0 million to £95.3 million.

Funds under management as at 31 December 2011 were £23.9 billion, (2010: £17.3 billion).

The company is committed to ensuring that its investment proposition remains relevant and will continue to develop the range of funds available to clients and launch new unit trusts as appropriate.

The principal risks and uncertainty facing the company is that of market risk where a reduction in the market value of the unit trusts under the company's management would affect the annual management charges paid to the company.

St. James's Place Unit Trust Group Limited

Directors' report for the year ended 31 December 2011 (continued)

Going concern has been evaluated by the directors of the company. 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.

Directors

The directors of the company are listed on page 2.

Directors' Indemnity and Insurance

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

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 Payment Practice Code on supplier payments. SJPMs's average number of days' purchases outstanding in respect of trade creditors at 31 December 2011 was 20 days (2010: 18 days).

Employees

The company has no employees.

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.

Independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and therefore a resolution to reappoint PricewaterhouseCoopers LLP as the company's auditors will be proposed at the next AGM.

By order of the Board



Mr A M Croft
Director

21 February 2012

St. James's Place Unit Trust Group Limited


Statement of directors' responsibilities

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



St James's Place Administration Limited
Company Secretary

21 February 2012

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 of St James's Place Unit Trust Group Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

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

St. James's Place Unit Trust Group Limited
Profit and loss account
for the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Turnover	2,3	151,724	128,350
Cost of sales		(75,568)	(63,191)
Gross profit		<u>76,156</u>	<u>65,159</u>
Administrative expenses		(37,351)	(40,024)
Operating profit		<u>38,805</u>	<u>25,135</u>
Interest receivable and similar income		<u>450</u>	<u>247</u>
Profit on ordinary activities before taxation		39,255	25,382
Tax on profit on ordinary activities	6	(10,993)	(7,101)
Profit for the financial year	13	<u>28,262</u>	<u>18,281</u>

The result for the year relates wholly to continuing operations

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

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

The notes on pages 9 to 14 form an integral part of these financial statements

St. James's Place Unit Trust Group Limited
Registered number: 00947644
Balance sheet
as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Current assets			
Stock of units		679	630
Current asset investments	8	36,005	30,252
Debtors	9	79,809	94,262
Cash at bank and in hand		12,134	32,006
		<hr/>	<hr/>
		128,627	157,150
Creditors: amounts falling due within one year	10	(116,702)	(145,487)
		<hr/>	<hr/>
Total assets less current liabilities, being net assets		11,925	11,663
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	2,000	2,000
Profit and loss account	13	9,925	9,663
		<hr/>	<hr/>
Total shareholders' funds	12	11,925	11,663
		<hr/>	<hr/>

The notes on pages 9 to 14 form an integral part of these financial statements

The financial statements on pages 7 to 14 were approved by the board of directors on 21 February 2012 and were signed on its behalf by



Mr A M Croft
Director

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2011

1 Principal accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are 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 1996) 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 group's cash flows

As the company is a wholly owned member of the group headed by St James's Place plc, the company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions with entities which form part of the group

Turnover

Turnover represents the dealing profit derived from the front end charge levied at the point of sale of units in the company's range of unit trusts and the annual fees receivable by the company from the management of these unit trusts. Management fees are calculated monthly based on the level of funds under management on the first working day of each month and are recognised on an accruals basis. Management fees received which relate to fee periods falling after the accounting date are deferred

Stock of units

Units are held as box positions by the company to ensure that the funds are operated in an efficient manner and are valued at the lower of cost or net realisable value. Whilst the units held in the box belong to the company, it does not seek to profit from these units

Investment income

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal or underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2011

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.

3 Turnover

	2011 £'000	2010 £'000
Net management fee income	95,295	77,035
Dealing profit	56,429	51,315
	<u>151,724</u>	<u>128,350</u>

4 Directors' emoluments

The emoluments received by the directors in respect of their services to the company for the year was

	2011 £'000	2010 £'000
Aggregate emoluments	250	180
Bonuses	188	206
Pension contribution	49	35
Other benefits	<u>32</u>	<u>28</u>
	<u>519</u>	<u>449</u>

The total emoluments of the highest paid director in the year were £190,413 (2010 £161,316) which included pension contributions paid on their behalf of £18,333 (2010 £12,750). The number of options the highest paid director exercised over the shares in SJP plc was 130,296 (2010 nil), and the number of shares receivable by them in respect of qualifying service was 77,558 (2010 89,990).

The number of directors to whom retirement benefits are accruing is 6 (2010 6), one of whom was the highest paid director (benefits are accruing in company money purchase schemes for 7 directors).

The number of directors who exercised options over the shares in SJP plc during the year is 7 (2010 nil). Directors in respect of whose qualifying services shares were receivable under long term incentive schemes is 6 (2010 6).

5 Auditors' remuneration

The statutory audit fee of £25,000 (2010 £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 auditors, PricewaterhouseCoopers LLP (2010 nil), 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 2011

6 Tax on profit on ordinary activities

(a) Analysis of tax charge in the year:

	2011 £'000	2010 £'000
Corporation tax at 26.5% (2010: 28%)		
- current year	10,404	7,101
- prior year	(3)	-
Balancing payments		
- current year	592	-
Tax on profit on ordinary activities	10,993	7,101

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

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 26.5%. The tax assessed for the year is higher (2010: lower) than the standard rate of corporation tax in the UK of 26.5% (28%). Differences to the actual current tax charge for the year (which excludes the deferred tax charge) are explained below:

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	39,255	25,382
Profit on ordinary activities multiplied by rate of UK corporation tax of 26.5% (2010: 28%)	10,403	7,107
Effects of		
Transfer pricing adjustment FA2006 Sch 28AA(I)	1	(6)
Balancing payments	592	-
Adjustment in respect of prior years	(3)	-
Current tax for the year	10,933	7,101

In addition to the changes in rates of Corporation Tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

7 Dividends

	2011 £'000	2010 £'000
Ordinary		
Interim dividends paid in the year £5.00, £5.00 and £4.00 per share (2010: £3.50, and £5.50)	28,000	18,000

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2011

8 Current asset investments

	2011 £'000	2010 £'000
Short term deposits	36,005	30,252

9 Debtors

	2011 £'000	2010 £'000
Dealing debtors	78,700	93,236
Amounts owed by group undertakings	97	267
Other debtors	640	518
Prepayments	372	241
	<u>79,809</u>	<u>94,262</u>

10 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Dealing creditors	91,373	107,265
Amounts owed to group undertakings	853	1,742
Corporation tax	10,404	7,101
Other creditors	11,579	8,362
Accruals and deferred income	2,493	21,017
	<u>116,702</u>	<u>145,487</u>

11 Called up share capital

	2011 £'000	2010 £'000
Authorised, allotted and fully paid 2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

12 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	28,262	18,281
Dividends paid	(28,000)	(18,000)
Net increase in shareholders' funds	<u>262</u>	<u>281</u>
Opening shareholders' funds	11,663	11,382
Closing shareholders' funds	<u>11,925</u>	<u>11,663</u>

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2011

13 Profit and loss account

	2011 £'000
At 1 January	9,663
Profit for the financial year	28,262
Less dividends paid in the financial year	(28,000)
	<hr/>
At 31 December	9,925

14 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 with entities which form part of the group (or investees of the group qualifying as related parties)

The company's related parties include other companies in the Lloyds Banking Group, pension schemes of the company's ultimate parent company, the unit trusts that it manages and the company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors.

There were no transactions between the company and key management personnel during the current or preceding year.

HBOS and HBOS Group Companies

Tax fees of £36,656 (2010 £24,558) in respect of annual tax compliance and ad-hoc tax advice were charged by HBOS plc to certain unit trusts. These fees were borne by the company rather than the unit trusts themselves.

During the year, deposits were placed with Bank of Scotland on normal commercial terms. At 31 December 2011 these deposits amounted to £5.3 million (2010 £24.3 million).

Interest receivable on deposits placed with Bank of Scotland amounted to £20,000 (2010 £15,000).

Transactions with investment funds

During the year the company entered into the following transactions with unit trusts that it manages:

	2011 £'000	2010 £'000
Net annual management fees	95,295	77,035
Creation of units	9,761,435	11,298,652
Liquidation of units	2,481,123	3,027,453
Funds under management	23,871,887	17,257,680

At the year end the company held a stock of £679,000 (2010 £630,000) of units in the unit trusts that it manages.

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2011

14 Related party transactions (*continued*)

	2011 £'000	2010 £'000
Inter group debtors		
St James's Place Wealth Management plc	97	267
Inter group creditors		
St James's Place Management Services Limited	(853)	(1,742)

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

The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member. Copies of the consolidated accounts of Lloyds Banking Group Limited may be obtained from Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

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, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP.