

**St. James's Place Unit Trust Group Limited**

**Annual report and financial statements  
for the year ended 31 December 2010**

**Registered number: 947644**

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**St. James's Place Unit Trust Group Limited**  
**Annual report**  
**for the year ended 31 December 2010**

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## **St. James's Place Unit Trust Group Limited**

### **Directors and advisers**

#### **Executive directors**

Mr M S Wilson (Chairman)  
Mr D C Bellamy  
Mr A M Croft  
Mr I Gascoigne  
Mr H J Gladman  
Mr D J Lamb  
Mr W P Tonks

#### **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 2010**

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2010

#### **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 28 different unit trusts (2009: 23) 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 2010 are set out on pages 7 to 15. The retained profit for the year is disclosed on page 13. The directors declared interim dividends of £3.50 per share on 22 June 2010 and £5.50 per share on 24 December 2010 (2009: £2.50 per share on 1 April 2009, £2.50 per share on 28 September 2009 and £2.50 per share on 18 December 2009). No final dividend is recommended by the Board (2009: nil).

During the year, the company's new business sales on an Annual Premium Equivalent (APE) basis increased by 39.7% from £89.2 million to £124.6 million.

Funds under management as at 31 December 2010 were £17.258 billion, (2009: £17.511 billion).

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.

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.

# **St. James's Place Unit Trust Group Limited**

## **Directors' report**

### **for the year ended 31 December 2010 (continued)**

#### **Directors**

The directors of the company are listed on page 2

#### **Directors' 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.

#### **Employees**

The company has no employees (2009 nil)

#### **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 2010 was 18 days (2009 17 days).

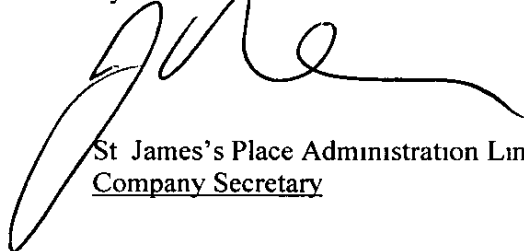
#### **Disclosure of information to auditors**

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



St James's Place Administration Limited  
Company Secretary

22 February 2011

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## **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 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 period. 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 Unit Trust Group Limited**

## **Independent auditor's 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 2010 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.

### **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 2010 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  
22 February 2011

**St. James's Place Unit Trust Group Limited**  
**Profit and loss account**  
**for the year ended 31 December 2010**

	Notes	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Turnover</b>	2,3	128,350	89,648
Cost of sales		(63,191)	(44,092)
Gross profit		65,159	45,556
Administrative expenses		(40,024)	(25,707)
<b>Operating profit</b>		25,135	19,849
Interest receivable and similar income		247	370
<b>Profit on ordinary activities before taxation</b>		25,382	20,219
Tax on profit on ordinary activities	6	(7,101)	(5,667)
<b>Profit for the financial year</b>		18,281	14,552

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 15 form an integral part of these financial statements



**St. James's Place Unit Trust Group Limited**  
**Registered number: 947644**  
**Balance sheet**  
**as at 31 December 2010**

	Notes	2010 £'000	2009 £'000
<b>Investments</b>			
Deposits with credit institutions		30,252	21,337
<b>Current assets</b>			
Stock of units		630	530
Debtors	8	94,262	34,842
Cash at bank and in hand		32,006	19,742
		<hr/>	<hr/>
		126,898	55,114
<b>Creditors: amounts falling due within one year</b>	9	(145,487)	(65,069)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(18,589)	(9,955)
		<hr/>	<hr/>
<b>Total assets less current liabilities, being net assets</b>		11,663	11,382
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	10	2,000	2,000
Profit and loss account	12	9,663	9,382
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	11	11,663	11,382
		<hr/>	<hr/>

The financial statements on pages 7 to 15 were approved by the board of directors on 22 February 2011 and were signed on its behalf by



Mr A M Croft  
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 2010**

**1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. 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) 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 cash flows of the group.

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 on the sales of units in the Company's range of unit trusts and the fees receivable by the Company from the management of these 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 2010**

**3 Analysis of turnover**

	2010 £'000	2009 £'000
Net management fee income	77,035	53,807
Dealing profit	51,315	35,841
	<u>128,350</u>	<u>89,648</u>

**4 Directors' emoluments**

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

	2010 £'000	2009 £'000
Aggregate emoluments	180	182
Bonuses	206	197
Pension contribution	35	35
Other benefits	28	28
	<u>449</u>	<u>442</u>

The total emoluments of the highest paid director in the year were £161,316 (2009 £155,958) which included pension contributions paid on their behalf of £12,750 (2009 £12,750). The number of options the highest paid Director exercised over the shares in SJP plc was nil (2009 108,269), and the number of shares receivable by them in respect of qualifying service was 89,990 (2009 34,931).

Included above is the cost of retirement benefits for 6 (2009 6) Directors, one of whom was the highest paid Director. Retirement benefits are accruing in Group money purchase schemes for 7 (2009 7) Directors at the year end, the additional cost of which is borne by other Group companies.

The number of directors who exercised options over the shares in SJP plc during the year is 1 (2009 7). The number of Directors in respect of whose qualifying services shares were receivable under long term incentive schemes is 6 (2009 6).

**5 Auditors' remuneration**

The statutory audit fee of £25,000 (2009 £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 (2009 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 2010**

**6 Tax on profit on ordinary activities**

**(a) Analysis of tax charge in the period:**

	2010 £'000	2009 £'000
Corporation tax at 28% (2009 28%) - current year	7,101	5,667
<b>Total current tax for the financial year</b>	<b>7,101</b>	<b>5,667</b>

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

The standard rate of corporation tax in the UK is 28% (2009 28%) Differences to the actual current tax charge for the period (which excludes the deferred tax charge) are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	25,382	20,219
Corporation tax at 28%	7,107	5,661
<b>Effects of:</b>		
Transfer pricing adjustment FA2006 Sch 28AA(I)	(6)	-
Non taxable adjustments re intergroup companies	-	6
<b>Current tax for the financial year</b>	<b>7,101</b>	<b>5,667</b>

**7 Dividends**

	2010 £'000	2009 £'000
Ordinary Interim dividends paid in the year £3 50, and £5 50 per share (2009 £2 50, £2 50 and £2 50)	18,000	15,000

**St. James's Place Unit Trust Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2010**

**8 Debtors**

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Dealing debtors	93,236	34,673
Amounts owed by group undertakings	267	-
Other debtors	518	11
Prepayments	241	158
	<u>94,262</u>	<u>34,842</u>

**9 Creditors: amounts falling due within one year**

	2010 £'000	2009 £'000
Dealing creditors	107,265	43,993
Amounts owed to group undertakings	1,742	4,705
Corporation tax	7,101	5,662
Other creditors	8,362	6,029
Accruals and deferred income	21,017	4,680
	<u>145,487</u>	<u>65,069</u>

**10 Called up share capital**

	2010 £'000	2009 £'000
<b>Authorised, allotted and fully paid</b>		
2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

**St. James's Place Unit Trust Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2010**

**11 Reconciliation of movements in shareholders' funds**

	2010 £'000	2009 £'000
Profit for the financial year	18,281	14,552
Dividends paid	(18,000)	(15,000)
Net increase / (reduction) in shareholders' funds	281	(448)
Opening shareholders' funds	11,382	11,830
Closing shareholders' funds	11,663	11,382

**12 Profit and loss account**

	2010 £'000	2009 £'000
At 1 January	9,382	9,830
Profit for the financial year	18,281	14,552
Less dividends paid in the financial year	(18,000)	(15,000)
At 31 December	9,663	9,382

**13 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 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, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP

**HBOS and HBOS Group Companies**

Tax fees of £24,558 (2009 £25,530) 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 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 2010 these deposits amounted to £24.3 million (2009 £13.2 million).

**St. James's Place Unit Trust Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2010**

**13 Related party transactions (continued)**

Interest receivable on deposits placed with Bank of Scotland amounted to £15k (2009 £23k)

**Transactions with investment funds**

During the year the Company entered into the following transactions with Unit Trusts that it manages

	2010 £'000	2009 £'000
Net annual management fees	77,035	53,807
Creation of units	11,298,652	3,401,530
Liquidation of units	3,027,453	1,932,290
Funds under management	17,257,680	7,511,146

At the year end the Company held a stock of £630,000 (2009 £530,000) of units in the Unit Trusts that it manages

	31 December 2010 £'000	31 December 2009 £'000
<b>Inter group debtors</b>		
St James's Place Wealth Management plc	267	-
<b>Inter group creditors</b>		
St James's Place Management Services Limited	(1,742)	(4,161)
St James's Place Wealth Management plc	-	(544)
	(1,742)	(4,705)

**14 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.

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**St. James's Place Unit Trust Group Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2010**

**14 Ultimate parent undertaking of larger group of which the company is a member**  
*(continued)*

The company's related parties include other companies in the Lloyds Banking Group, pension schemes of the company's ultimate parent company 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.