

St. James's Place Unit Trust Group Limited

**Annual report
for the year ended 31 December 2003**

Registered no: 947644



St. James's Place Unit Trust Group Limited

Annual report for the year ended 31 December 2003

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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 (appointed 15 December 2003)
Mr D C Bellamy (appointed 15 December 2003)
Mr A M Croft (appointed 20 June 2003)
Mr I Gascoigne (appointed 15 December 2003)
Mr H J Gladman
Mr M R Gravestock (appointed 1 January 2004)
Ms S Harris (appointed 15 December 2003)
Mr D J Lamb
Mr M J Lund (appointed 5 January 2004)
Mr M D Moule (resigned 20 June 2003)
Sir Mark Weinberg
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

National Westminster Bank PLC
32 Market Place
Cirencester
Gloucestershire
GL7 2NU

St. James's Place Unit Trust Group Limited

Directors' report

for the year ended 31 December 2003

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the company is the management of unit trusts. The company is regulated by the Financial Services Authority and is a member of the Investment Management Association (IMA).

Results and business review

The financial statements for the year ended 31 December 2003 are set out on pages 9 to 16. The retained loss for the year is disclosed on page 9.

The directors have declared interim dividends of £1.50 and £1.00 per share (2002: £1.75, £1.50 and £1.50 per share) which were paid on 8 April 2003 and 30 June 2003. No final dividend is recommended by the Board.

Directors

The directors of the company are listed on page 2. On 20 June 2003, Mr M Moule resigned as a director and Mr A Croft was appointed as a director. On 15 December 2003 Mr A Batchelor, Mr D Bellamy, Mr I Gascoigne and Ms S Harris were appointed as directors. Mr M Gravestock and Mr M Lund was appointed as a directors on 1 January 2004 and 5 January 2004, respectively.

Directors' interests

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

The interests of Mr D Bellamy, Mr I Gascoigne, Mr M S Wilson and Sir Mark Weinberg in the shares of HBOS plc, the company's ultimate parent undertaking, and in the shares of the parent company, St. James's Place Capital plc ("SJPC plc"), are disclosed in the consolidated financial statements of SJPC plc.

St. James's Place Unit Trust Group Limited
Directors' report
for the year ended 31 December 2003

Directors' interests (continued)

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

Executive Share Option Scheme

Director	Options held at 1 January 2003	Granted/ (Exercised) In year	Options held at 31 December 2003	Exercise Price	Date from which Exercisable	Expiry date
A Batchelor	173,659	-	173,659	£1.33	1 July 2002	13 July 2007
	93,750	-	93,750	£2.40	23 May 2005	23 May 2012
	-	252,808	252,808	£0.89	10 Mar 2006	10 Mar 2013
A Croft	57,419	-	57,419	£1.33	1 July 2002	13 July 2007
	30,000	-	30,000	£1.45	15 Mar 2007	15 Mar 2012
	25,000	-	25,000	£1.45	13 Dec 2005	13 Dec 2010
	-	144,351	144,351	£1.19½	6 June 2006	6 June 2013
H Gladman	10,500	-	10,500	0.57p	27 Dec 2001	27 Dec 2004
	44,625	-	44,625	1.71p	19 Jan 2003	19 Jan 2006
	140,113	-	140,113	£1.33	1 July 2002	13 July 2007
	84,375	-	84,375	£2.40	23 May 2005	23 May 2012
	-	227,528	227,528	£0.89	10 Mar 2006	10 Mar 2013
S Harris	3,938	(3,938)	-	0.57p	25 Feb 2002	25 Feb 2004
	57,412	-	57,412	£1.33	1 Jun 2002	13 Jul 2007
	7,500	-	7,500	£2.23½	1 Jan 2004	24 Dec 2009
	17,500	-	17,500	£1.45	13 Dec 2005	13 Dec 2015
	30,000	-	30,000	£1.45	15 Mar 2007	15 Mar 2012
	-	160,112	160,112	£0.89	10 Mar 2006	10 Mar 2013
D Lamb	5,250	(5,250)	-	0.57p	25 Feb 2002	25 Feb 2004
	52,500	(52,500)	-	1.71p	4 Feb 2002	14 Feb 2005
	140,013	-	140,013	£1.33	1 July 2002	13 July 2007
	90,625	-	90,625	£2.40	23 May 2005	23 May 2012
	-	244,382	244,382	£0.89	10 Mar 2006	10 Mar 2013
S Williams	31,500	(31,500)	-	1.71p	19 Jan 2003	19 Jan 2006
	200,000	-	200,000	£1.33	1 July 2002	13 July 2007
	71,875	-	71,875	£2.40	23 May 2005	23 May 2012
	-	210,674	210,674	£0.89	10 Mar 2006	10 Mar 2013

On 29 August 2003, Sonia Harris exercised options over 3,938 shares at an exercise price of 0.57p per share. The market price of the shares on 29 August 2003 was £1.31.

On 16 May 2003, David Lamb exercised options over 5,250 shares at an exercise price of 0.57p per share and exercised options over 52,500 shares at an exercise price of 1.71p per share. The market price of the shares on 16 May 2003 was £1.16.

On 16 May 2003, Stephen Williams exercised options over 31,500 shares at an exercise price of 1.71p per share. The market price of the shares on 16 May 2003 was £1.16.

St. James's Place Unit Trust Group Limited
Directors' report
for the year ended 31 December 2003

Directors' interests (continued)

All Employee Share Option Scheme

Director	Options held at 1 January 2003	Granted/ (Exercised) In year	Options held at 31 December 2003	Exercise Price	Date from which exercisable	Expiry date
A Batchelor	16,121	-	-	£1.07	1 Sept 2002	28 Feb 2003
	15,913	-	-	£1.04	1 Nov 2007	30 Apr 2008
	-	22,812	22,812	£0.72	1 May 2008	31 Oct 2008
A Croft	16,121	-	-	£1.07	1 Sep 2002	1 Mar 2003
	15,913	-	-	£1.04	1 Nov 2007	30 Apr 2008
	-	13,125	13,125	£0.72	1 May 2006	31 Oct 2006
H Gladman	15,913	-	-	£1.04	1 Nov 2007	30 Apr 2008
	-	13,125	13,125	£0.72	1 May 2006	31 Oct 2006
S Harris	15,913	-	-	£1.04	1 Nov 2007	30 Apr 2008
	-	22,812	22,812	£0.72	1 May 2008	31 Oct 2008
D Lamb	15,913	-	-	£1.04	1 Nov 2007	30 Apr 2008
	-	22,812	22,812	£0.72	1 May 2008	31 Oct 2008
S Williams	16,121	-	-	£1.07	1 Sep 2002	1 Mar 2003
	15,913	-	-	£1.04	1 Nov 2007	30 Apr 2008
	-	22,812	22,812	£0.72	1 May 2008	31 Oct 2008

On 28 February 2003, Adrian Batchelor, Andrew Croft and Stephen Williams lapsed options granted under the above scheme on 11 August 1997 to acquire 16,121 ordinary shares of 15p each in SJPC with an exercise price of £1.07.

On 28 March 2003, Andrew Croft, Hugh Gladman, Sonia Harris, David Lamb and Stephen Williams cancelled options granted under the above scheme on 11 September 2002 to acquire 15,913 ordinary shares of 15p each in SJPC with an exercise price of £1.04.

Ordinary Shares in SJPC plc

Director	31 December 2003 Ordinary Shares of 15 pence each		31 December 2002 Ordinary Shares of 15 pence each	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
A Batchelor	107,192	-	107,192	-
A Croft	15,121	-	15,121	-
H Gladman	189,855	-	189,855	-
S Harris	42,702	-	42,702	-
D Lamb	231,690	3,681	231,690	3,681
S Williams	138,238	84,761	99,565	84,761

St. James's Place Unit Trust Group Limited

Directors' report

for the year ended 31 December 2003

Directors' interests (continued)

The register of directors' interests for SJPC plc, which is open to inspection, contains full details of director's shareholdings and options to subscribe.

The exercise price corresponds with the share price on the date the options were granted. As at 31 December 2003 the share price of St. James's Place Capital plc was £1.58. The range of prices between 1 January 2003 and 31 December 2003 was £0.75 to £1.61¼.

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 2003		31 December 2002	
	Ordinary Shares of		Ordinary Shares of	
	25 pence each		25 pence each	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
A Batchelor	1,824	-	1,824	-
D Lamb	200	-	200	-

Employees

The company has no employees.

Payment policy for creditors

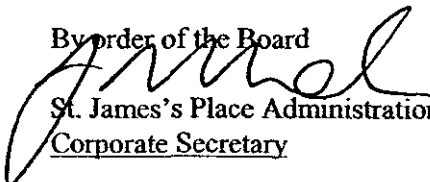
The payment of supplier invoices is made on the company's behalf by St. James's Place Management Services Limited ("SJPMs"), a fellow subsidiary company.

It is SJPMs's policy to pay creditors in accordance with the Confederation of British Industry (CBI) Better Practice Payment Code on supplier payments. The company's average number of days purchases outstanding in respect of trade creditors at 31 December 2003 was 31 days (2002: 27 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.

By order of the Board


St. James's Place Administration Limited
Corporate Secretary

20 February 2004

St. James's Place Unit Trust Group Limited

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss for that period. In preparing those financial statements, the directors are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 auditor's report to the members of St. James's Place Unit Trust Group Limited.

We have audited the financial statements on pages 9 to 16.

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 are responsible for preparing the directors' report and, as described on page 8 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered
Auditor
London

20 February 2004

St. James's Place Unit Trust Group Limited
Profit and loss account
for the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Turnover	2	22,813	23,515
Operating expenses	3	(11,763)	(13,207)
Operating profit		11,050	10,308
Interest receivable and similar income		404	478
Profit on ordinary activities before taxation	5	11,454	10,786
Tax on profit on ordinary activities	6	(3,461)	(3,234)
Profit on ordinary activities after taxation, being profit for the financial year		7,993	7,552
Dividends paid	7	(5,000)	(9,500)
Retained profit/(loss)	12	2,993	(1,948)

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 11 to 16 form an integral part of these financial statements.

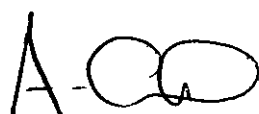
St. James's Place Unit Trust Group Limited

Balance sheet

as at 31 December 2003

	Notes	2003 £'000	2002 £'000
Current assets			
Stock of units		554	552
Debtors	8	4,229	3,052
Cash at bank and in hand		12,488	12,007
		<hr/>	<hr/>
		17,271	15,611
Creditors: amounts falling due within one year			
	9	(10,297)	(11,630)
		<hr/>	<hr/>
Net current assets		6,974	3,981
		<hr/>	<hr/>
Net assets		6,974	3,981
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	2,000	2,000
Profit and loss account	12	4,974	1,981
		<hr/>	<hr/>
Equity shareholders' funds	11	6,974	3,981
		<hr/>	<hr/>

The financial statements on pages 9 to 16 were approved by the board of directors on 20 February 2004 and were signed on its behalf by:



Director

The notes on pages 11 to 16 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 2003

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 SJPC 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.

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 2003

3 Other operating expenses

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Distribution costs	3,039	3,761
Administrative expenses	8,724	9,446
	<u>11,763</u>	<u>13,207</u>

4 Directors' emoluments

None of the directors received any emoluments in respect of their services to the company for the year (2002 – nil).

The number of directors to whom retirement benefits are accruing is 9 (2002: 5). 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 SJPC plc during the year is 3 (2002 – 4).

5 Profit on ordinary activities before taxation

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit on ordinary activities before taxation is as stated after charging:		
Auditors' remuneration recharged from another group company		
- audit	33	26
- other services	-	-
	<u>33</u>	<u>26</u>

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2003

6 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period:

	2003 £'000	2002 £'000
Corporation tax at 30% (2002: 30%)		
- current year	3,461	3,236
- adjustment in respect of prior years	(3,236)	(3,064)
Group relief		
- adjustment in respect of prior years	3,236	3,062
Total tax charge for the year	3,461	3,234

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

The standard rate of corporation tax in the UK is 30% (2002: 30%). Differences to this in the actual current tax charge for the period (which excludes the deferred tax charge) are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	11,454	10,786
Corporation tax at 30%	3,436	3,236
Effects of:		
Adjustments to tax charge in respect of disallowed expenses	25	-
	25	-
Current tax charge for the year	3,461	3,236

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2003

7 Dividends

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Ordinary:		
Interim paid of £1.50 and £1.00 per share (2002: £1.75, £1.50 and £1.50 per share)	5,000	9,500

8 Debtors

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Dealing debtors	3,691	2,572
Other debtors	431	318
Prepayments	107	162
	4,229	3,052

9 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Dealing creditors	3,729	2,959
Amounts owed to group undertakings	466	3,357
Corporation tax	3,461	3,236
Other creditors including taxation and social security	1,973	1,683
Accruals and deferred income	668	395
	10,297	11,630

St. James's Place Unit Trust Group Limited
Notes to the financial statements
for the year ended 31 December 2003

10 Called up share capital

	2003 £'000	2002 £'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

	2003 £'000	2002 £'000
Profit for the financial year	7,993	7,552
Dividends paid	(5,000)	(9,500)
Net addition/(reduction) to shareholders' funds	2,993	(1,948)
Opening shareholders' funds	3,981	5,929
Closing shareholders' funds	6,974	3,981

12 Profit and loss account

	£'000
At 1 January 2003	1,981
Retained profit for the year	2,993
At 31 December 2003	4,974

St. James's Place Unit Trust Group Limited

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Notes to the financial statements for the year ended 31 December 2003

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 Capital plc, a company registered in England and Wales, copies of whose consolidated accounts may be obtained from the Company Secretary, St James's Place Capital 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 Capital 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.