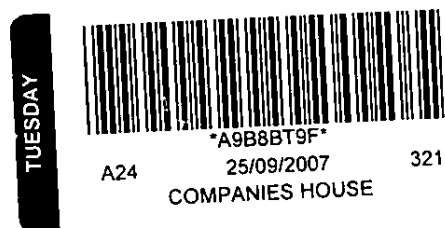


# **St. James's Place Management Services Limited**

**Annual report  
for the year ended 31 December 2006**

**Registered no: 2661044**



# **St. James's Place Management Services Limited**

## **Annual report for the year ended 31 December 2006**

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# **St. James's Place Management Services Limited**

## **Directors and advisers**

### **Executive directors**

Mr D C Bellamy  
Mr A M Croft  
Mr H J Gladman  
Mr M J Lund (resigned 4 Jan 2007)  
Mr M S Wilson  
Mr S P Williams

### **Auditors**

KPMG Audit Plc  
1 Canada Square  
London  
E14 5AG

## **Secretary and registered office**

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

## **Bankers**

Bank of Scotland  
150 Fountainbridge  
Edinburgh  
EH3 9PE

# **St. James's Place Management Services Limited**

## **Directors' report for the year ended 31 December 2006**

The Directors present their report and the audited financial statements for the year ended 31 December 2006

### **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), acts as the provider of management services to other group companies and the St James's Place Partnership (the sales force of the St James's Place group)

The invoiced value (excluding VAT) of the goods and services incurred by the company is recharged onto the group's UK financial services operating companies, St James's Place UK plc, St James's Place Wealth Management plc and St James's Place Unit Trust Group Limited on a formula driven basis which fairly reflects each companies' proportion of the costs

The strategy and performance measurement of the company's business are not considered by the Board in isolation from the rest of the St James's Place group business. Accordingly at a group level, the St James's Place plc Board establishes a business plan for the whole group, which is monitored regularly. As part of that process, key performance indicators (KPIs) are also set and monitored by the Board at a group level.

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 2006 are set out on pages 9 to 20. The retained loss for the year is disclosed on page 9. The directors have transferred this to reserves without declaring a dividend (2005: £Nil).

### **Changes in fixed assets**

The movements in fixed assets during the year are set out in note 8 to the financial statements.

### **Directors**

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

### **Directors' interests**

The directors have no interests in shares of the company. The interests of Mr Bellamy, Mr Croft, Mr Lund and Mr Wilson in the shares of HBOS plc, the company's ultimate parent undertaking, and St James's Place plc ("SJP plc"), the company's parent undertaking, have been disclosed in the consolidated financial statements of SJP plc.

# St. James's Place Management Services Limited

## Directors' report for the year ended 31 December 2006 (continued)

### Directors' interests (continued)

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

#### Executive Share Option Scheme

Director	Options held at 1 January 2006	Granted/ (exercised)/ in year	Options held at 31 December 2006	Exercise price	Date from which exercisable	Expiry date
H Gladman	140,113	(140,113)	-	£1 33	1 July 2002	13 July 2007
	227,528	(227,528)	-	£0 89	10 Mar 2006	10 Mar 2013
	113,445	-	113,445	£1 78½	27 Feb 2007	27 Feb 2014
S Williams	200,000	(200,000)	-	£1 33	1 July 2001	13 July 2007
	210,674	(210,674)	-	£0 89	10 Mar 2006	10 Mar 2013
	105,042	-	105,042	£1 78½	27 Feb 2007	27 Feb 2014

On 10 March 2006, Mr H Gladman and Mr S Williams exercised 367,641 and 410,674 share options respectively when the mid market close price of St James's Place plc ordinary 15p shares was £3 07 per share

The exercise price corresponds with the share price on the date the options were granted. As at 31 December 2006 the share price of St James's Place plc was £4 2975. The range of prices between 1 January 2006 and 31 December 2006 was £2 68 to £4 345.

#### All Employee Share Option Scheme

Director	Options held at 1 January 2006	Granted/ (exercised)/ in year	Options held at 31 December 2006	Exercise price	Date from which exercisable	Expiry date
H Gladman	13,125	(13,125)	-	£0 72	1 May 2006	31 Oct 2006
	-	3,831	3,831	£2 44	1 May 2009	31 Oct 2009
S Williams	22,812	-	22,812	£0 72	1 May 2008	31 Oct 2008

On 2 May 2006, Mr H Gladman exercised 13,125 share options when the mid market close price of St James's Place plc ordinary 15p shares was £3 6425 per share.

#### Deferred Bonus Scheme – shares held

Director	Balance at 1 January 2006	Granted in year	Balance at 31 December 2006
H Gladman	37,693	-	37,693
	-	25,781	25,781
S Williams	33,610	-	33,610
	-	22,343	22,343

## St. James's Place Management Services Limited

### Directors' report for the year ended 31 December 2006 (continued)

#### Directors' interests – Deferred Bonus Scheme (continued)

Share awards were granted on 8 March 2006, equal in value to the 2005 annual cash bonus. These shares will be held in trust for a restricted period ending on 8 March 2009. The share price on 8 March 2006 was £3.20.

Outstanding awards at the year end relate to share awards granted in 2004, 2005 and 2006 (where the restricted period ends on 30 March 2007, 29 March 2008 and 8 March 2009 respectively). The share price at the date of award for the 2006 grant (8 March 2006) was £3.20. The share price at the date of the award for the 2005 grant (29 March 2005) was £2.42 and the share price at the date of the award for the 2004 grant (30 March 2004) was £1.8575.

#### Performance Share Plan

Director	Balance at 1 January 2006	Granted in year	Balance at 31 December 2006	Date from which exercisable	Expiry date
H Gladman	51,194	-	51,194	17 May 2008	17 Nov 2008
	-	35,266	35,266	2 Mar 2009	2 Sept 2009
S Williams	44,368	-	44,368	17 May 2008	17 Nov 2008
	-	32,915	32,915	2 Mar 2009	2 Sept 2009

#### Shareholdings in SJP plc

Director	31 December 2006 Ordinary Shares of 15 pence each		1 January 2006 Ordinary Shares of 15 pence each	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
H Gladman	129,129	-	93,299	-
S Williams	85,953	80,000	98,610	80,000

The beneficial interests set out above include the deferred bonus scheme awards held in trust for the directors, details of which are set out on page 4.

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

#### Share Interests in HBOS plc

H Gladman and S Williams had no beneficial interests in the shares of the ultimate parent company, HBOS plc, as at 31 December 2006.

## **St. James's Place Management Services Limited**

### **Directors' report for the year ended 31 December 2006 (continued)**

#### **Employees**

The employees of the SJP plc group are employed by St James's Place Management Services Limited. The cost is then recharged to the various group companies. Information regarding the SJP plc group approach to its employment policies are dealt on a group basis in the consolidated financial statements of SJP plc.

#### **Payment policy for creditors**

It is St James's Place Management Services Limited'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 2006 was 11 days (2005: 9 days).


#### **Auditors**

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

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

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

17 September 2007

## **St. James's Place Management Services 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.



## **Independent auditors' report to the members of St. James's Place Management Services Limited**

We have audited the financial statements ("the financial statements") of St James's Place Management Services Limited for the year ended 31 December 2006 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' responsibility 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 7.

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 2006 and of its loss 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*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

*21 September* 2007

# St. James's Place Management Services Limited

## Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	Restated (see Note 1) 2005 £'000
<b>Turnover</b>	2	135,682	111,428
Cost of sales		(134,914)	(117,937)
<b>Gross profit/(loss)</b>		768	(6,509)
Administrative expenses	4	(14,306)	(5,568)
<b>Operating loss</b>		(13,538)	(12,077)
Interest receivable		2,648	2,179
Interest payable and similar charges	3	(53)	(146)
<b>Loss on ordinary activities before taxation</b>	4	(10,943)	(10,044)
Tax on loss on ordinary activities	5	9,626	5,707
<b>Loss on ordinary activities after taxation, being loss for the financial year</b>		(1,317)	(4,337)
Retained loss for the year	12	(1,317)	(4,337)

All activities are continuing United Kingdom operations

## Statement of total recognised gains and losses

	2006 £'000	Restated (see Note 1) 2005 £'000
Loss for the financial year	(1,317)	(4,337)
Total recognised gains and losses relating to the year	(1,317)	(4,337)
Prior year adjustment (see Note 1)	(1,067)	
Total recognised gains and losses since last annual report	(2,384)	

The notes on pages 11 to 20 form an integral part of these financial statements

# St. James's Place Management Services Limited

## Balance sheet as at 31 December 2006

	Note	2006 £'000	Restated (see Note 1) 2005 £'000
<b>Fixed assets</b>			
Tangible assets	7	5,024	4,645
<b>Current assets</b>			
Investments		63,872	56,100
Investments – shares of parent company		10,674	10,959
Debtors	8	147,212	119,294
Cash at bank and in hand		11,941	2,486
		233,699	188,839
<b>Creditors amounts falling due within one year</b>	9	(242,390)	(203,390)
<b>Net current liabilities</b>		(8,691)	(14,551)
<b>Total assets less current liabilities, being net liabilities</b>		<u>(3,667)</u>	<u>(9,906)</u>
<b>Capital and reserves</b>			
Called up share capital	10	7,000	7,000
Profit and loss account	12	(23,973)	(22,656)
Capital contribution reserve	13	13,306	5,750
<b>Shareholders' funds – equity interests</b>		<u>(3,667)</u>	<u>(9,906)</u>

The financial statements on pages 9 to 20 were approved by the Board of Directors on 17 September 2007 were signed on its behalf by



Director

The notes on pages 11 to 20 form an integral part of these financial statements

# **St. James's Place Management Services Limited**

## **Notes to the financial statements for the year ended 31 December 2006**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. FRS 20 "Share-based payment" and Urgent Issues Task Force ("UITF") 38 "Accounting for ESOP Trusts" have been adopted for the first time. The accounting policy under this new standard and the UITF is set out below together with an indication of the effects of their adoption. The corresponding amounts in these financial statements are restated in accordance with the new policy. A summary of the other accounting policies dealing with items which are considered material in relation to these financial statements and which have been applied consistently, are also 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 St James's Place plc, which prepares a consolidated cash flow statement dealing with the cash flows of the group.

#### **Change in accounting policies**

FRS 20 "Share-based Payment" was adopted by the company with effect from 1 January 2006 for the costs of awards to employees and members of the St James's Place Partnership. UITF 38 "Accounting for ESOP Trusts" was also adopted with effect from 1 January 2006 resulting in the recognition of the assets and liabilities of the SJPC Employee Share Trust in these financial statements on the basis of de facto control. The accounting principles of recognising the ESOP Trust is stated in the following accounting policies.

Under FRS 20, equity instruments granted after 7 November 2002, which remain unvested at 1 January 2006, are measured at fair value. The fair value of the equity instrument is determined at grant date and recognised over the vesting period, with a corresponding adjustment in equity. In addition, a deferred tax asset, representing the expected future tax deduction in respect of instruments granted and based on intrinsic value, and the associated employers National Insurance cost on the employee share options, are also recognised.

# St. James's Place Management Services Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 1 Principal accounting policies (continued)

The effect of the changes in accounting policies are as follows

	2006 £'000	2005 £'000
Profit/(loss) for the financial year, prior to adoption of FRS20 and UITF 38	7,931	(3,270)
Share option expense	(7,556)	(3,017)
Associated employers National Insurance expense	(804)	(144)
Associated deferred tax asset	2,500	1,995
ESOP Redemption of share options	(3,350)	(18)
ESOP Trust sundry income and expenditure	(38)	117
Restated loss for the financial year	(1,317)	(4,337)

The cost of the shares awarded of £7,556,000 (2005 £3,017,000) has been treated as a capital contribution in shareholders' funds by the parent company and therefore has not affected total shareholders' funds, since the credit made to the capital contribution reserve is for the same value of the share option expense each year. However, the associated employers National Insurance expense and deferred tax asset have increased shareholders' equity by £5,146,000 at 31 December 2006 (£3,450,000 increase at 31 December 2005).

The adoption of UITF 38 has decreased shareholders' equity by £2,741,000 at 31 December 2006 (£647,000 increase as at 31 December 2005).

### Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values over the expected useful economic lives of the assets concerned.

The methods and annual rates used for this purpose are

Motor vehicles	At a rate of 25% on a straight line basis
Computer equipment	At a rate of 33 1/3% on a straight line basis
Fixtures and fittings	At a rate of 20% on a straight line basis
Office Equipment	At a rate of 20% on a straight line basis

# **St. James's Place Management Services Limited**

## **Notes to the financial statements for the year ended 31 December 2006 (continued)**

### **1 Principal accounting policies (continued)**

#### **Investments**

Investments are carried at the lower of cost and net realisable value

#### **Turnover**

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied, accounted for on a receivable basis

#### **Cost of Sales**

Cost of sales, which excludes value added tax, represents the invoiced value of goods and services received, accounted for on a receivable basis

#### **Deferred taxation**

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

#### **Operating Leases**

Operating lease income, representing invoiced rentals less the cost of depreciating the leased asset, is recognised on a straight line basis over the lease term.

#### **Share-based payments**

The company operates a number of share-based payment plans for its employees. The fair value of equity instruments granted is recognised as an expense spread over the vesting period of the instrument, with a corresponding increase in equity in the case of equity settled plans. The total amount to be expensed is determined by reference to the fair value of the awards at the grant date, measured using standard option pricing models.

At each balance sheet date, the company revises its estimate of the number of equity instruments that are expected to vest and it recognises the impact of the revision of original estimates, if any, in the income statement, such that the amount recognised for employee services are based on the number of shares that actually vest. The charge to the income statement is not revised for any changes in market vesting conditions.

#### **ESOP Trust**

Under UITF 38, the company has been treated as the sponsor of the SJPC Employee Share Trust. The parent company (SJP) shares held by this ESOP Trust, which have not vested unconditionally to employees and members of the St James's Place Partnership, are recognised as an investment. Other assets and liabilities of the ESOP Trust have also been recognised in the company's balance sheet. Similarly, sundry income and expenditure of the ESOP Trust have also been recognised by the company.

# St. James's Place Management Services Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 2 Segmental analysis by class of business and geographical area

In the opinion of the directors, the company has only carried on one class of business and has supplied markets that do not differ substantially from each other

### 3 Interest payable and similar charges

	2006 £'000	2005 £'000
On bank loans and overdrafts	53	146

### 4 Loss on ordinary activities before taxation

	2006 £'000	2005 £'000
<b>Loss on ordinary activities before taxation is stated after crediting.</b>		
Operating lease income	1,846	1,535
<b>And after charging:</b>		
Redemption of share options	3,350	18
Depreciation on owned assets	2,614	2,375
Statutory audit fee	100	64

£234,000 was paid to the company's auditor, KPMG Audit Plc, or its associates, for auditing of accounts of the other fellow subsidiary companies of the parent company, St James's Place plc

# St. James's Place Management Services Limited

## Notes to the financial statements for the year ended 31 December 2006(continued)

### 5 Tax on profit on ordinary activities

#### (a) Analysis of tax credit in the year

	2006 £'000	Restated (see Note 1) 2005 £'000
Corporation tax at 30% (2005 30%)		
- current year	(4,601)	(2,366)
- adjustment in respect of prior years	-	(1,346)
Overseas tax		
- adjustment in respect of prior years	56	-
<b>Total current tax credit for the year</b>	<b>(4,545)</b>	<b>(3,712)</b>
Deferred taxation	(5,081)	(1,995)
<b>Tax on loss on ordinary activities</b>	<b>(9,626)</b>	<b>(5,707)</b>

#### (b) Factors affecting the tax credit for the current year:

The standard rate of corporation tax in the UK is 30% (2005 30%) Differences to the actual current tax charge for the period (which excludes the deferred tax charge) are explained below

	2006 £'000	Restated (see Note 1) 2005 £'000
Loss on ordinary activities before taxation	(10,943)	(10,044)
Corporation tax at 30%	(3,283)	(3,013)
<b>Effects of:</b>		
Adjustments to tax charge in respect of		
Depreciation	752	803
New business system expenses allowed as capital	149	1,122
Capital allowances	(1,222)	(1,521)
Share schemes (FA 2003 Sch 23)	(4,351)	(615)
Share schemes – expense disallowance	3,524	1,329
Write off connected party debt	-	(110)
Expenses disallowed	1,122	(235)
Transfer pricing adjustment FA2005 Sch 28AA(I)	(1,357)	(1,472)
Controlled foreign companies adjustment	65	-
Overseas tax	56	-
	(1,262)	(699)
<b>Current tax credit for the year</b>	<b>(4,545)</b>	<b>(3,712)</b>



# St. James's Place Management Services Limited

## Notes to the financial statements for the year ended 31 December 2006(continued)

### 6 Directors' emoluments

None of the directors received any emoluments in respect of their services to the company for the year (2005 £nil)

The number of directors to whom retirement benefits are accruing is 6 (2005 6) 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 5 (2005 nil)

### 7 Tangible fixed assets

Cost	Motor Vehicles £'000	Computer Equipment £'000	Fixtures, Fittings & Office Equipment £'000	Total £'000
1 January 2006	1,855	9,020	18,740	29,615
Additions	648	527	1,961	3,136
Disposals	(674)	-	-	(674)
31 December 2006	1,829	9,547	20,701	32,077
<b>Depreciation</b>				
1 January 2006	779	8,141	16,050	24,970
Charge for year	461	734	1,419	2,614
Disposals	(531)	-	-	(531)
31 December 2006	709	8,875	17,469	27,053
<b>Net book value</b>				
At 31 December 2005	1,076	879	2,690	4,645
At 31 December 2006	1,120	672	3,232	5,024

Included in computer equipment is a net book value of £2,078 (2005 £32,781) in respect of assets which have been held for leasing under operating leases

# St. James's Place Management Services Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 8 Debtors

	2006 £'000	Restated (see Note 1) 2005 £'000
Amounts owed by fellow subsidiary undertakings	89,561	96,805
Other debtors	44,784	26,088
Prepayments and accrued income	4,162	3,093
Deferred tax asset	8,705	3,624
	<u>147,212</u>	<u>129,610</u>

Included in other debtors are amounts falling due in more than one year of £24,986,449 (2005 £13,343,469)

### 9 Creditors' amounts falling due within one year

	2006 £'000	Restated (see Note 1) 2005 £'000
Bank overdraft	-	287
Bank loan	13,142	17,167
Amounts owed to fellow subsidiary undertakings	175,092	147,017
Other creditors including taxation and social security	23,495	14,483
Accruals and deferred income	30,661	24,436
	<u>242,390</u>	<u>203,390</u>

On 1st September 2003, the company agreed with Bank of Scotland to an equitable assignment of an existing loan to the members of the St James's Place Partnership

Under the terms of the Assignment Agreement, the Assigned Loans remain legally in the name of the company and in accordance with FRS 5 "Reporting the substance of the transaction", the balance of these loans of £13.1 million (2005 £17.2 million) is shown as an asset within other assets and a liability within amounts owed to credit institutions

# St. James's Place Management Services Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 10 Called up share capital

	2006 £	2005 £
<b>Authorised</b>		
7,000,001 (2005 7,000,001)		
Ordinary shares of £1 each	7,000,001	7,000,001
	<hr/>	<hr/>
	2006 £	2005 £
<b>Allotted, called up and fully paid</b>		
Equity interests		
7,000,001 (2005 7,000,001)		
Ordinary shares of £1 each	7,000,001	7,000,001
	<hr/>	<hr/>

### 11 Reconciliation of movement in equity shareholders' funds

	2006 £'000
At 1 January 2006 (as previously reported)	(14,003)
Prior year adjustments (see Note 1)	4,097
	<hr/>
At 1 January 2006 (as restated)	(9,906)
Loss for the financial year	(1,317)
Capital contribution reserve credit in respect of share option charges	7,556
	<hr/>
At 31 December 2006	(3,667)
	<hr/>

# St. James's Place Management Services Limited

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 12 Profit and loss account

	Restated (see Note 1) £'000
At 1 January 2006	(22,656)
Loss for the year	(1,317)
	<hr/>
At 31 December 2006	(23,973)
	<hr/> <hr/>

### 13 Capital contribution reserve

	Restated (see Note 1) £'000
At 1 January 2006	5,750
Capital contribution on share options	7,556
	<hr/>
At 31 December 2006	13,306
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### 14 ESOP Trust

In order to encourage and facilitate the acquisition and holding of shares in St. James's Place plc ("SJP" – the parent) by and for the benefit of its employees, the SJPC Employees' Share Trust has been established to hold shares in the parent company for future awards to the employees of the company under a number of different schemes. The purchase of the shares held by the trust has been funded by way of a loan from the company. The various schemes operating to distribute shares held by the trust are as follows:

**Share Option Schemes** – options vest after periods of three or five years subject to the satisfaction of personal and/or SJP Group performance.

**Deferred Bonus** – shares are held to the value of the deferred element of the annual bonus and held until vesting after three years.

**Performance Share Plan** – shares vest after three years subject to the satisfaction of an earnings growth condition of the SJP Group (for two-thirds of the award) and a comparative total shareholder return condition (for one-third of the award).

In order to fund the purchase of the shares by the Trust, the company has made a capital contribution (see Note 13). The number of shares held by the Trust that has not vested unconditionally to employees as at 31 December 2006 is 4,993,012 (2005: 5,815,578) with a market value of £21,457,469 (2005: £15,587,749). These shares include 1,313,383 under option (2005: 3,931,962) and 3,679,629 (2005: 1,883,616) which have been conditionally gifted to employees.

## **St. James's Place Management Services Limited**

### **Notes to the financial statements for the year ended 31 December 2006 (continued)**

#### **15 Ultimate parent undertaking**

The ultimate parent undertaking is HBOS plc, a company registered in Scotland. HBOS plc is the parent of the largest group in which the results of the company are consolidated. Copies of the consolidated accounts of HBOS plc may be obtained from The Mound, Edinburgh, EH1 1YZ.

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

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

#### **16 Related Party Transactions**

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

#### **17 Registered Office**

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