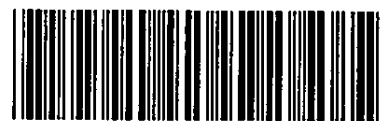


**St. James's Place Management Services Limited**

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

**Registered number: 02661044**

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

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**Directors and advisers**

**Executive directors**

Mr D C Bellamy  
Mr A M Croft

Mr H J Gladman  
Mr M S Wilson (resigned 5 July 2011)  
Mr D J Lamb (appointed 5 July 2011)

**Independent Auditors**

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

**Company Secretary and registered office**

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

**Bankers**

Bank of Scotland  
150 Fountainbridge  
Edinburgh  
EH3 9PE

## **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**

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 Company meets the cost of providing share options for both employees and the St James's Place Partnership. This amounted to a £8.0m charge for 2011 (2010: £10.3m). Under the accounting treatment of FRS 20 "Share-Based Payment" an equivalent and opposite adjustment is made to reserves and so net assets are unaffected at year end.

The Company also acts as the sponsor of the SJPC Employee Share Trust which holds St James's Place plc ("SJP") shares for future awards to employees. During the year a charge of £3.3m (2010: £1.9m) was made for those SJP shares that vested unconditionally during 2011.

The financial statements for the year ended 31 December 2011 are set out on pages 7 to 27. The retained loss for the year is disclosed on page 7. The directors have transferred this to reserves without declaring a dividend (2010: £Nil).

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 and 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 principal risks and uncertainties facing the Company surround the recovery of loans due from the St James's Place Partnership. The recovery of these loans is secured on future commission income streams due to the Partnership.

Going concern has been evaluated by the directors of the Company. They concluded that it was reasonable to expect the Company to continue to provide management services to other group companies for a period of not less than 12 months from the date of the signing of the financial statements. The Company recorded a loss for the year and has net liabilities at the year end but the another group company, St James's Place plc, has indicated that it will continue to provide financial support.

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

### **Changes in fixed assets**

The movements in fixed assets during the year are set out in note 9 to the financial statements

### **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.

### **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 is dealt on a group basis in the consolidated financial statements of SJP plc.

### **Payment policy for creditors**

It is the Company'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 2011 was 20 days (2010 18days).

### **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.

### **Independent Auditors**

PricewaterhouseCoopers LLP are deemed to be reappointed as auditors to the Company in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

By order of the Board



Andrew Croft  
Director

21 February 2012

## **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 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 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.

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

We have audited the financial statements of St James's Place Management Services 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 loss 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

**Profit and loss account  
for the year ended 31 December 2011**

	Note	2011 £'000	2010 £'000
<b>Turnover</b>	1 / 2	148,249	140,555
Cost of sales		(144,625)	(136,885)
		<hr/>	<hr/>
Gross profit		3,624	3,670
Administrative expenses		(16,089)	(14,777)
		<hr/>	<hr/>
<b>Operating loss</b>		(12,465)	(11,107)
Interest receivable and similar income		468	145
Interest payable and similar charges	3	(1,091)	(65)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	4	(13,088)	(11,027)
Tax on loss on ordinary activities	5	1,980	545
		<hr/>	<hr/>
<b>Loss on ordinary activities after taxation, being loss for the financial year</b>		(11,108)	(10,482)
		<hr/>	<hr/>
Loss for the financial year	16	(11,108)	(10,482)

All activities are continuing United Kingdom 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 loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents

The notes on pages 9 to 27 form an integral part of these financial statements

**Balance sheet  
as at 31 December 2011**

	Note	2011 £'000	2010 £'000
<b>Intangible assets</b>	8	8,437	2,074
<b>Fixed assets</b>			
Tangible assets	9	4,294	5,861
<b>Current assets</b>			
Investments		20,122	35,111
Investments – shares of parent company	10	8,536	8,114
Debtors ( <i>including an amount of £52,971k (2010 £53,139k) due in more than one year</i> )	11	242,338	214,437
Cash at bank and in hand		41,692	17,364
<b>Creditors: amounts falling due within one year</b>	12	312,688 (312,176)	275,026 (290,223)
<b>Provisions for liabilities</b>	13	(2,834)	(3,235)
<b>Net current liabilities</b>		(2,322)	(18,432)
<b>Total assets less current liabilities</b>		10,409	(10,497)
<b>Creditors: amounts falling due after more than one year</b>	14	(39,000)	(15,000)
<b>Net liabilities</b>		(28,591)	(25,497)
<b>Capital and reserves</b>			
Called up share capital	15	7,000	7,000
Profit and loss account	17	(103,133)	(92,025)
Capital contribution reserve	18	67,542	59,528
<b>Total shareholders' deficit</b>	16	(28,591)	(25,497)

The financial statements on pages 7 to 27 were approved by the Board of Directors on 21 February 2012 and were signed on its behalf by

Andrew Croft  
Director



The notes on pages 9 to 27 form an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2011

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the 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

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

#### Intangible assets

Computer software is recognised as an intangible asset during development and amortised on a straight line basis over its useful life of 4 years, commencing when the software is operational. Computer software is stated at cost less amortisation and any recognised impairment loss. The carrying value is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Tangible fixed assets and depreciation

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 following rates are charged on a straight line basis

Leasehold building	2%
Motor vehicles	25%
Computer equipment	33⅓%
Fixtures and fittings	20%
Office Equipment	20%

#### Investments

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

## **Notes to the financial statements for the year ended 31 December 2011 (continued)**

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

#### **Turnover**

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

#### **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**

Leases where a significant proportion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases, representing property, office equipment and motor vehicle rentals, are recognised in the profit and loss statement on a straight-line basis over the term of the lease. Operating lease income, representing invoiced rentals less the cost of depreciating the leased asset for property sub-lets, is recognised on a straight line basis over the lease term.

#### **Finance leases**

The Company leases computer equipment. Leases of computer equipment where the Company holds substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in creditors. The interest element of the finance cost is charged to the profit and loss account so as to spread the interest cost evenly over the life of the lease. The equipment held under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

#### **Foreign currency translation**

Foreign currency transactions are translated into sterling using exchange rate prevailing at the date of transactions. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gain or losses on translation are recognised in the profit and loss account.

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 1 Principal accounting policies (continued)

#### 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 profit and loss account, such that the amount recognised for employee services are based on the number of shares that actually vest. The charge to the profit and loss account 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. Shares in St James's Place plc which are held by this ESOP Trust, are recognised as an investment. These shares are held to meet share and share option awards to employees and are valued at the weighted average cost net of any impairment. 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.

#### Investments – shares in parent company

Shares in the parent company are held to meet share and share option awards to employees and are valued at the weighted average cost net of any impairment.

#### St. James's Place Partnership loans

Loans are made to members of the St James's Place Partnership and are stated net of a provision for impairment against future recovery. At the year end, the Directors consider that the net value of the loans to be fairly stated.

### 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

	2011 £'000	2010 £'000
On bank loans and overdrafts	1,091	65

**Notes to the financial statements  
for the year ended 31 December 2011 (continued)**

**4 Loss on ordinary activities before taxation**

	2011 £'000	2010 £'000
<b>Loss on ordinary activities before taxation is stated after crediting:</b>		
Operating lease income	1,134	1,120
<b>And after charging:</b>		
Operating lease charges		
- Land and buildings	8,785	8,750
- Other assets	314	363
Finance lease charge	958	811
Redemption of share options	3,292	1,907
Depreciation on owned assets	2,671	3,560
Amortisation of intangibles	199	-
Statutory audit fee	80	80

There were no fees paid to the Company's auditor, PricewaterhouseCoopers LLP, or its associates, for services other than the statutory audit of the Company. Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of St. James's Place plc.

**5 Tax on loss on ordinary activities**

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%.

**(a) Analysis of tax credit in the year:**

	2011 £'000	2010 £'000
Corporation tax at 26.5% (2010: 28%)		
- current year	(1,548)	282
- prior years	361	(887)
Balancing payments		
- current year	-	947
<b>Total current tax for the financial year</b>	<b>(1,187)</b>	<b>342</b>
Deferred taxation		
- current year	(1,138)	(2,422)
- prior year	-	1,535
- change in tax rate to 25%	345	-
<b>Tax on loss on ordinary activities</b>	<b>(1,980)</b>	<b>(545)</b>

**Notes to the financial statements  
for the year ended 31 December 2011(continued)**

**5 Tax on loss on ordinary activities (continued)**

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

The tax assessed for the year is lower (2010 lower) than the standard rate of corporation tax in the UK (26.5%) Differences (which exclude the deferred tax charge) are explained below

	2011 £'000	2010 £'000
Loss on ordinary activities before taxation	(13,088)	(11,027)
Corporation tax at 26.5% (2010 28%)	(3,468)	(3,088)
<b>Effects of:</b>		
Adjustments to tax charge in respect of		
Depreciation	744	685
Capital allowances	(842)	(863)
Share schemes (FA 2003 Sch 23)	(2,253)	(616)
Share schemes – expense disallowance	3,451	3,317
Balancing payments	-	947
Adjustments in respect of prior years	361	(887)
Expenses disallowed	1,413	1,406
Transfer pricing adjustment FA2010 Sch 28AA(I)	(593)	(559)
<b>Current tax for the financial year</b>	<b>(1,187)</b>	<b>342</b>

In addition to the changes in rates of Corporation tax disclosed 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.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset

## Notes to the financial statements for the year ended 31 December 2011(continued)

### 6 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	168	315
Bonuses	-	-
Pension contribution	32	63
Other benefits	40	57
	239	435

The total emoluments of the highest paid Director in the year were £239,585 (2010 £435,240), which included pension contributions paid on their behalf of £32,104 (2010 £63,000). The number of options the highest paid Director exercised over the shares in SJP plc was 160,955 (2010 nil), and the number of shares receivable by them in respect of qualifying service was nil (2010 nil). Gains made by the director on exercise of share options were £570,294 (2010 £nil).

Included above is the cost of retirement benefits for 1 (2010 1) Director, being the highest paid Director. Retirement benefits are accruing in Group money purchase schemes for all 4 (2010 4) Directors 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 4 (2010 1). The number of Directors in respect of whose qualifying services shares were receivable under long term incentive schemes is 4 (2010 3).

The charge to the profit and loss account in respect of the share-based payment awards made to the directors of the Group (the total cost of which is borne by the Company) during 2011 was £3.9 million (2010 £4.9 million).

### 7 Employee costs

The average number of employees employed by the Company was 741 (2010 700), all of whom are engaged on administrative and managerial tasks. Employee costs are shown below.

	2011 £'000	2010 £'000
Wages and salaries	40,599	40,873
Social security costs	4,824	5,052
Other pension costs	3,880	3,521
	49,303	49,446

Defined contribution personal pension plans are operated for employees. Total pension costs of employer contributions to these plans in the year were £3.9 million (2010 £3.5 million). There were no prepaid or outstanding contributions outstanding at the year end (2010 £nil).

**Notes to the financial statements  
for the year ended 31 December 2011(continued)**

**8 Intangible assets**

	Computer Software £'000
<b>Cost</b>	
At 1 January 2011	2,074
Additions	6,562
Disposals	-
At 31 December 2011	8,636
<b>Accumulated amortisation</b>	
At 1 January 2011	-
Charge for the year	199
Disposals	-
At 31 December 2011	199
<b>Net book value</b>	
At 31 December 2010	2,074
At 31 December 2011	8,437

**Notes to the financial statements  
for the year ended 31 December 2011 (continued)**

**9 Tangible assets**

<b>Cost</b>	<b>Computer Equipment £'000</b>	<b>Fixtures, Fittings &amp; Office Equipment £'000</b>	<b>Total £'000</b>
1 January 2011	5,620	25,788	31,408
Additions	2	1,102	1,104
Disposals	-	-	-
31 December 2011	5,622	26,890	32,512
<b>Accumulated Depreciation</b>			
1 January 2011	5,156	20,391	25,547
Charge for year	377	2,294	2,671
Disposals	-	-	-
31 December 2011	5,533	22,685	28,218
<b>Net book value</b>			
At 31 December 2010	464	5,397	5,861
At 31 December 2011	89	4,205	4,294

The net book value of assets held under finance leases is £89,000 (2010 £464,000) The amount of depreciation on assets held under finance leases during the period is £376,518 (2010 £1,113,167)

**10 Investments –shares of parent company**

3,048,030 shares (2010 3,038,633) in St James's Place plc are held at a value of £2 78 each (2010 £2 67) for the purposes of meeting future awards of the SJPC Employee Share Trust

**Notes to the financial statements  
for the year ended 31 December 2011 (continued)**

**11 Debtors**

	2011 £'000	2010 £'000
Amounts owed by fellow subsidiary undertakings	97,575	91,654
St James's Place Partnership loans	79,477	71,654
Other debtors	46,481	33,645
Prepayments and accrued income	12,205	11,677
Deferred tax asset	6,600	5,807
	242,338	214,437

Included within St James's Place Partnership loans are amounts of £52,971k receivable in more than one year (2010 £53,139k) The St James's Place Partnership loans are shown net of a provision of £6,705k (2010 £6,684k)

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

	2011 £'000	2010 £'000
Bank loan	4,052	185
Amounts owed to fellow subsidiary undertakings	254,950	234,457
Other creditors including taxation and social security	27,448	25,906
Obligations under finance leases	1	545
Accruals and deferred income	25,726	29,130
	312,176	290,223

*Bank loan*

Bank loans include £4.0 million (2010 £nil) from Royal Bank of Scotland drawn under a three year £150 million revolving credit facility that is used to finance loans from the Group to members of the St. James's Place Partnership

**Notes to the financial statements  
for the year ended 31 December 2011 (continued)**

**13 Provisions for other liabilities and charges**

	Office Restructuring £'000	Other Provisions £'000	Total £'000
At 1 January 2011	2,835	400	3,235
Provision utilised during the year	(1)	(400)	(401)
Additional provisions	-	-	-
At 31 December 2011	2,834	-	2,834

The office restructuring provision represents the expected amounts payable under a number of non-cancellable operating leases for office space that the Company no longer occupies. The provision is based on estimates of the rental payable until the approximate dates on which the Company expects either to have sublet the affected space or to have reached break clauses within the relevant lease agreements and after making appropriate allowance for the time value of money.

**14 Creditors: amounts falling due in more than one year**

	2011 £'000	2010 £'000
Bank loan	39,000	15,000
	39,000	15,000

*Bank loan*

Bank loans include £30.0 million (2010: £15.0 million) from Barclays Bank drawn under a three year £30.0 million revolving credit facility and £9.0 million from Royal Bank of Scotland drawn under a three year £15.0 million revolving credit facility that are used to finance loans from the Group to members of the St James's Place Partnership. The Partner's loans are secured against the future renewal income streams of that Partner.

The Company also guarantees £87.7 million (2010: £84.9 million) of direct loans from Bank of Scotland to members of the St James's Place Partnership drawn under a total facility of £100.0 million. In the event of any default of any individual partner loan the Company guarantees to repay the outstanding balance of that loan. These Partner's loans are secured against the future renewal income streams of the Partner. As the Company's guarantee is contingent these loans are not shown as a financial liability under borrowing.

**Notes to the financial statements  
for the year ended 31 December 2011 (continued)**

**15 Called up share capital**

	2011 £000	2010 £000
<b>Allotted and fully paid</b>		
Equity interests		
7,000,001 (2010 7,000,001)		
Ordinary shares of £1 each	7,000	7,000

**16 Reconciliation of movements in shareholders' deficit**

	2011 £'000	2010 £'000
At 1 January	(25,497)	(25,332)
Loss for the financial year	(11,108)	(10,482)
Capital contribution reserve credit in respect of share option charges	8,014	10,317
At 31 December	(28,591)	(25,497)

**17 Profit and loss account**

	2011 £'000	2010 £'000
At 1 January	(92,025)	(81,543)
Loss for the financial year	(11,108)	(10,482)
At 31 December	(103,133)	(92,025)

**18 Capital contribution reserve**

	2011 £'000	2010 £'000
At 1 January	59,528	49,211
Movement for the financial year	8,014	10,317
At 31 December	67,542	59,528

## **Notes to the financial statements for the year ended 31 December 2011 (continued)**

### **19 ESOP Trust**

In order to encourage and facilitate the acquisition and holding of shares in St James's Place plc ("SJP plc") 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 plc 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).

The purchase of the shares by the Trust is funded by the Company. The number of shares held by the Trust that has not vested unconditionally to employees as at 31 December 2011 is 3,048,030 (2010: 3,038,633) with a market value of £8,479,586 (2010: £8,070,609). These shares include 193,632 under option (2010: 217,632) and 2,854,398 (2010: 2,821,001) which have been conditionally gifted to employees.

### **20 Share based payments**

During the year ended 31 December 2011 the Company operated a number of different equity settled share-based payment arrangements, which are aggregated as follows:

- SAYE plan – this is a standard HMRC approved scheme that is available to all employees where individuals can contribute up to £250 per month over three years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.
- Executive deferred bonus schemes – under these plans the deferred element of the annual bonus is used to purchase shares at market value in SJP plc. The shares are held by the Company until vesting after three years and, in addition to the performance targets, which apply prior to any entitlement being granted, further performance conditions may also apply on vesting.
- Executive performance share plan<sup>2</sup> – the Remuneration Committee of SJP plc may make awards of performance shares to the executive Directors of SJP plc and other senior managers. Two-thirds of shares awarded to directors are subject to an earnings growth condition of SJP plc and one-third of shares awarded to Directors are subject to a comparative total shareholder return condition, both measured over a three year period. Awards made to senior managers are largely only subject to the earnings growth condition of SJP plc.

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 20 Share based payments (continued)

- Executive and sales management share option schemes – these include both approved and unapproved elements and vest after three or five year periods subject to satisfying personal and/or SJP plc earnings performance. The last award under these schemes was made in 2005
- Partner share option schemes – these were offered to the Partners of the St James's Place Partnership and vest over three to six years subject to satisfying personal sales related performance criteria. The last award under these schemes was made in 2007
- Partner performance share plan<sup>n</sup> – a new scheme was launched in January 2008 whereby Partners would be entitled to purchase shares in the future at nominal value (15p). The number of shares the Partners will be entitled to purchase will depend on their personal sales production in the year of the award and validation over the following 3 years

Share options outstanding under the various share option schemes at 31 December 2011 amount to 29.3 million shares (2010: 34.6 million). Of these, 20.5 million are under option to Partners of the St James's Place Partnership, 6.8 million are under option to executives and senior management and 2.0 million are under option through the SAYE scheme. These are exercisable on a range of future dates.

The table below summarises the share-based payment awards made in 2010 and 2011

	SAYE	Executive Deferred Bonus	Executive Performance Share Plan	Partner Performance Share Plan
<b>Awards in 2010</b>				
Date of grant	23 March	10 March	Various	24 February
Number granted	323,129	1,151,682	2,108,585	675,000
<b>Awards in 2011</b>				
Date of grant	23 March	15 March	Various	None
Number granted	327,130	1,133,358	1,797,964	-
Contractual life	3.5 years	3 years	3.5 years	4 years
Vesting conditions	3 year saving period	3 years service and achievement of personal targets in some instances	3 years service and achievement of earnings and TSR targets	Sales production for year of award and subsequent validation over following 3 years

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 20 Share based payments (continued)

#### Financial assumptions underlying the calculation of fair value

The fair value expense has been based on the fair value of the instruments granted, as calculated using appropriate derivative pricing models. The table below shows the assumptions and models used to calculate the grant date fair value of each award.

Valuation model	SAYE Black Scholes	Executive Deferred Bonus Schemes Black Scholes	Executive Performance Share Plan Monte Carlo	Partner Performance Share Plan Black Scholes
<b>Awards in 2010:</b>				
Fair value (pence)	100.5 <sup>(2)</sup>	182.5	172.4/257.7 <sup>(4)</sup>	-
Share price (pence)	250.0	254.0	254.7 & 257.7 <sup>(5)</sup>	-
Exercise price (pence)	204.0	0.00	0.00	-
Expected volatility (% pa) <sup>(1)</sup>	51	N/A	51	-
Expected dividends (% pa)	1.8	N/A <sup>(3)</sup>	N/A	-
Risk-free interest rate (% pa)	2.0	N/A	N/A	-
Volatility of competitors (% pa)	N/A	N/A	17 to 106	-
Correlation with competitors (%)	N/A	N/A	20	-
<b>Awards in 2011:</b>				
Fair value (pence)	125.1 <sup>(2)</sup>	331.6	245.4/331.6 <sup>(4)</sup>	-
Share price (pence)	322.3	331.6	331.6 to 355.0 <sup>(5)</sup>	-
Exercise price (pence)	242.0	0.00	0.00	-
Expected volatility (% pa) <sup>(1)</sup>	44	N/A	44	-
Expected dividends (% pa)	1.9	N/A <sup>(3)</sup>	N/A	-
Risk-free interest rate (% pa)	1.9	N/A	N/A	-
Volatility of competitors (% pa)	N/A	N/A	14 to 111	-
Correlation with competitors (%)	N/A	N/A	20	-

#### Notes

(1) Expected volatility is based on an analysis of SJP plc's historic share price volatility over a period (typically three or five years) which is commensurate with the expected term of the options or the awards.

(2) In 2010 and 2011, the vesting period for the SAYE plan was three years. The vesting period may be extended by up to six months in order to catch up on missed contributions (up to a maximum of six).

(3) Dividends payable on the shares during the restricted period are paid out during the restricted period for the executive deferred bonus schemes and no dividend yield assumption is therefore required.

(4) The awards made under the executive performance share plan are dependent upon earnings growth in SJP plc (two-thirds of the award) and a total shareholder return of a comparator group of companies (one-third of the award). This results in having two fair values for each of the awards made in the table above, the first being in relation to the comparator total shareholder return and the second relating to SJP plc's earnings growth.

(5) Awards were made under the executive performance share plan on six separate occasions during both 2010 and 2011.

(6) There were no awards made in 2010 or 2011 for the executive share option schemes or the sales management share option schemes.

**Notes to the financial statements  
for the year ended 31 December 2011 (continued)**

**20 Share based payments (continued)**

	<b>Year Ended 31 December 2011 Number of Options</b>	<b>Year Ended 31 December 2011 Weighted average exercise price</b>	<b>Year Ended 31 December 2010 Number of options</b>	<b>Year Ended 31 December 2010 Weighted average exercise price</b>
<b>SAYE:</b>				
Outstanding at start of year	1,889,767	£ 1 62	1,767,660	£1 56
Granted	327,130	£ 2 42	323,129	£2 04
Forfeited	(121,564)	£ 1 97	(161,200)	£1 79
Exercised	(108,046)	£ 2 10	(39,822)	£1 91
Expired	-	-	-	-
Outstanding at end of year	1,987,287	£ 1 70	1,889,767	£1 62
Exercisable at end of year	6,100	£1 50	-	-
<b>Executive Share Options:</b>				
Outstanding at start of year	1,431,122	£1 78	2,150,718	£1.79
Granted	-	-	-	-
Forfeited	-	-	(116,851)	£2 48
Exercised	(443,679)	£1 63	(602,745)	£1 69
Expired	-	-	-	-
Outstanding at end of year	987,443	£1.84	1,431,122	£1 78
Exercisable at end of year	987,443	£1 84	1,418,788	£1 77
<b>Sales Management Share Options:</b>				
Outstanding at start of year	12,500	£2 42	81,000	£1.89
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(12,500)	£2 42	(68,500)	£1 81
Expired	-	-	-	-
Outstanding at end of year	-	-	12,500	£2 42
Exercisable at end of year	-	-	12,500	£2 42
<b>Partner Share Options:</b>				
Outstanding at start of year	22,542,325	£ 2 38	26,951,714	£2 33
Granted	-	-	-	-
Forfeited	(395,208)	£ 2 79	(1,443,531)	£2 52
Exercised	(4,255,067)	£ 2 01	(2,965,858)	£1 69
Expired	-	-	-	-
Outstanding at end of year	17,892,050	£ 2 45	22,542,325	£2 38
Exercisable at end of year	17,857,625	£ 2 46	21,971,025	£2 37

The average share price during the year was 329 2 pence (2010. 258 3 pence)

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 20 Share based payments (continued)

The SAYE plan options outstanding at 31 December 2011 had exercise prices of 150 pence (1,447,896 options), 204 pence (248,948 options) and 242 pence (290,443 options) and a weighted average remaining contractual life of 0.8 years

The options outstanding under the executive share option schemes at 31 December 2011 had exercise prices ranging from 85.5 pence to 254.25 pence and a weighted average remaining contractual life of 2.3 years

The options outstanding under the Partner share option schemes at 31 December 2011 had exercise prices ranging from 81.5 pence to 465 pence and a weighted average remaining contractual life of 3.2 years

#### Executive Performance Share Plan (nil cost option – no proceeds on exercise)

	Year Ended 31 December 2011 Number of options	Year Ended 31 December 2010 Number of options
Outstanding at start of year	5,954,291	5,027,836
Granted	1,797,964	2,108,585
Forfeited	(675,117)	(1,156,438)
Exercised	(1,225,649)	(25,692)
Expired	-	-
Outstanding at end of year	5,851,489	5,954,291
Exercisable at end of year	-	-

#### Partner Performance Share Plan (15p nominal share value option – 15p per share on exercise)

	Year Ended 31 December 2011 Number of options	Year Ended 31 December 2010 Number of options
Outstanding at start of year	2,772,500	2,160,000
Granted	-	675,000
Forfeited	(155,000)	(62,500)
Exercised	-	-
Expired	-	-
Outstanding at end of year	2,617,500	2,772,500
Exercisable at end of year	-	-

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 20 Share based payments (continued)

#### Executive deferred bonus schemes (no proceeds on exercise)

	Year Ended 31 December 2011 Number of shares	Year Ended 31 December 2010 Number of shares
Outstanding at start of year	2,705,275	2,194,718
Granted	1,133,358	1,151,682
Forfeited	(63,295)	(7,053)
Exercised	(1,084,531)	(634,072)
Outstanding at end of year	2,690,807	2,705,275
Exercisable at end of year	-	-

#### Early exercise assumptions

The following allowance has been made for the impact of early exercise once options have vested

- (1) SAYE plan – all option holders are assumed to exercise half-way through the six month exercise window
- (2) Executive, sales management and partner share option schemes – it is assumed that 10% of option holders are forced to exercise their options each year irrespective of the level of the share price. For the remainder it is assumed that one-half will exercise their options each year if the share price is at least 33% above the exercise price

#### Allowance for performance conditions

The executive performance share plan includes a market based performance condition based on SJP plc's total shareholder return relative to an index of comparator companies. The impact of this performance condition has been modelled using Monte Carlo simulation techniques, which involve running many thousands of simulations of future share price movements for both SJP plc and the comparator index. For the purpose of these simulations it is assumed that the share price of SJP plc and the comparator index are 20% (2010 20%) correlated and that the comparator index has volatilities ranging between 14% pa and 111% pa (2010 17% pa to 106% pa).

The performance condition is based on SJP plc's performance relative to the comparator index over a three year period commencing on 1 January each year. The fair value calculations for the awards that were made in 2011 therefore include an allowance for the actual performance of SJP plc's share price relative to the index over the period between 1 January 2011 and the various award dates.

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 20 Share based payments (continued)

#### Charge to profit and loss account

The table below sets out the charge to the profit and loss account in respect of the share-based payment awards that have been made since 7 November 2002

	2011 £'000	2010 £'000
Share-based payment expense	8,014	10,317

### 21 Related Party balances

	2011 £'000	2010 £'000
<i>Intra group debtors - net of provisions (if applicable)</i>		
St James's Place UK plc	1,999	5,502
St James's Place Wealth Management plc	4,822	3,023
St James's Place Unit Trust Group Limited	853	1,742
St James's Place Wealth Management Group plc	59,424	52,674
St James's Place (PCP) Limited	4,609	5,040
St James's Place (Properties) Limited	1,220	857
St James's Place Wealth Management (PCIS) Limited	-	1
St James's Place International plc	-	30
St James Place International Assurance Group Limited	10,716	9,756
St James's Place Administration Limited	13,021	13,027
St James's Place Wealth Management (Monaco) SAM	-	2
St James's Place European sarl	17	-
St James's Place Acquisition Services Limited	894	-
<i>Intra group creditors</i>		
St James's Place Reassurance 2009 Limited	43	603
St James's Place Property Services Limited	1,367	189
St James's Place International plc	297	-
Nascent Life Limited	4,843	4,881
St James's Place Investments plc	248,400	228,784
St James's Place Wealth Management (PCIS) Limited	1	-

- During the year, deposits were placed with Bank of Scotland on normal commercial terms. At 31 December 2011 these deposits totalled £816,000 (2010 £2,272,000)
- Amounts lent by, or assigned to, the Bank of Scotland to members of the St James's Place Partnership, under guarantee by St James's Place, totalled £87.7 million (2010 £83.5 million)
- Amounts lent by the Bank of Scotland to the Company totalled £52,000 (2010 £170,000)

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 22 Financial commitments

As at 31 December 2011, the Company had the following annual commitments under non-cancellable operating leases in connection with the rental of office buildings and office equipment with varying lease end dates ranging from 2012 to 2027

	31 December 2011 £'000	31 December 2010 £'000
<i>Office buildings</i>		
Within one year	257	199
Between two and five years	1,441	1,808
In more than five years	7,739	7,454
<i>Office equipment and motor vehicles</i>		
Within one year	99	216
Between two and five years	444	400
In more than five years	-	-
<b>Total financial commitments</b>	<b>9,980</b>	<b>10,077</b>

### 23 Ultimate parent company and 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 plc 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.

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.