

St. James's Place Management Services Limited

**Annual report and financial statements
for the year ended 31 December 2012**

Registered number: 02661044



**Annual report and financial statements
for the year ended 31 December 2012**

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Directors and advisers

Executive directors

Mr D C Bellamy
Mr A M Croft
Mr H J Gladman
Mr D J Lamb

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 2012

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2012

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 company's 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 £5.5m charge for 2012 (2011: £8.0m). 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 £1.9m (2011: £3.3m) was made for those SJP shares that vested unconditionally during 2012.

The financial statements for the year ended 31 December 2012 are set out on pages 7 to 27. The loss for the year is disclosed on page 7. The directors have transferred this to reserves without declaring a dividend (2011: £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 financial statements 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 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 2012 (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 who were in office during the year and up to the date of signing the financial statements 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 St James's Place plc ("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 Department for Business, Innovation and Skills' Prompt Payment Code, a copy of which can be obtained from the Prompt Payment Code website at www.promptpaymentcode.org.uk. The Company's average number of day's purchases outstanding in respect of trade creditors at 31 December 2012 was 17 days (2011: 20 days).

Disclosure of information to auditors

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



27 February 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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 2012 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 Statement of directors' responsibilities 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 2012 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
27 February 2013

**Profit and loss account
for the year ended 31 December 2012**

	Note	2012 £'000	2011 £'000
Turnover	1 / 2	165,427	148,249
Cost of sales		(174,615)	(144,625)
Gross (loss)/profit		(9,188)	3,624
Administrative expenses		(1,665)	(16,089)
Operating loss		(10,853)	(12,465)
Interest receivable and similar income		642	468
Interest payable and similar charges	3	(1,372)	(1,091)
Loss on ordinary activities before taxation	4	(11,583)	(13,088)
Tax on loss on ordinary activities	5	4,917	1,980
Loss for the financial year	17	(6,666)	(11,108)

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.

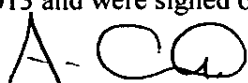
There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

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

**Balance sheet
as at 31 December 2012**

	Note	2012 £'000	2011 £'000
Intangible assets	8	11,665	8,437
Fixed assets			
Tangible assets	9	2,884	4,294
Current assets			
Debtors (<i>including an amount of £105,636k (2011 £52,971k) due in more than one year</i>)	10	293,268	242,338
Investments – shares of parent company	11	8,997	8,536
Investments		43,265	20,122
Cash at bank and in hand		34,433	41,692
		<hr/>	<hr/>
Creditors: amounts falling due within one year	12	379,963 (353,283)	312,688 (312,176)
		<hr/>	<hr/>
Net current assets		26,680	512
		<hr/>	<hr/>
Total assets less current liabilities		41,229	13,243
Creditors: amounts falling due after more than one year	13	(70,000)	(39,000)
Provisions for liabilities	14	(1,029)	(2,834)
		<hr/>	<hr/>
Net liabilities		(29,800)	(28,591)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	7,000	7,000
Profit and loss account	17	(109,799)	(103,133)
Capital contribution reserve	18	72,999	67,542
		<hr/>	<hr/>
Total shareholders' deficit	16	(29,800)	(28,591)
		<hr/>	<hr/>

The financial statements on pages 7 to 27 were approved by the Board of Directors on 27 February 2013 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 2012

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

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The 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:

Computer equipment	33 1/3%
Fixtures, fittings & 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 2012 (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 and office equipment, 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 2012 (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

	2012 £'000	2011 £'000
On bank loans and overdrafts	1,372	1,091

Notes to the financial statements for the year ended 31 December 2012 (continued)

4 Operating loss

The operating loss is stated after charging/ (crediting)

	2012 £'000	2011 £'000
Operating lease income	(1,185)	(1,134)
Operating lease charges		
- Land and buildings	9,593	8,785
- Other operating leases	267	314
Finance lease charge	1,011	958
Redemption of share options	1,861	3,292
Depreciation on owned assets	2,324	2,671
Amortisation of intangibles	403	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 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24.5%.

(a) Analysis of tax credit in the year:

	2012 £'000	2011 £'000
UK Corporation tax at 24.5% (2011: 26.5%)		
- current year credit	(3,431)	(1,548)
- adjustments in respect of prior years	(1,480)	361
Balancing payments		
- current year	-	-
Total current tax for the financial year	(4,911)	(1,187)
Deferred taxation		
- current year	(51)	(1,138)
- prior year	-	-
- change in tax rate to 23% (2011: 25%)	45	345
Tax on loss on ordinary activities	(4,917)	(1,980)

**Notes to the financial statements
for the year ended 31 December 2012(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 higher (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). Differences (which exclude the deferred tax charge) are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(11,583)	(13,088)
Corporation tax at 24.5% (2011 26.5%)	(2,838)	(3,468)
Effects of:		
Adjustments to tax charge in respect of		
Depreciation	667	744
Capital allowances	(912)	(842)
Share schemes (FA 2003 Sch 23)	(2,782)	(2,253)
Share schemes – expense disallowance	1,883	3,451
Adjustments in respect of prior years	(1,480)	361
Expenses disallowed	462	1,413
Transfer pricing adjustment FA2010 Sch 28AA(1)	(648)	(593)
Capital accounted as revenue	737	-
Current tax for the financial year	(4,911)	(1,187)

The tax rate will fall to 23% from April 2013. A further change to reduce the rate to 21% from 1 April 2014 has been announced and is expected to be enacted in the Finance Act 2013. As this further change had not been substantively enacted at the balance sheet date it has not been recognised in these financial statements.

Notes to the financial statements for the year ended 31 December 2012(continued)

6 Directors' emoluments

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

	2012 £'000	2011 £'000
Aggregate emoluments	-	168
Bonuses	-	-
Pension contribution	-	32
Other benefits	-	40
	<u>-</u>	<u>240</u>

The total emoluments of the highest paid Director in the year were £nil (2011 £239,585), which included pension contributions paid on their behalf of £nil (2011 £32,104) The number of options the highest paid Director exercised over the shares in SJP plc was nil (2011 160,955), and the number of shares receivable by them in respect of qualifying service was nil (2011 nil) Gains made by the director on exercise of share options were £nil (2011 £570,294)

Included above is the cost of retirement benefits for nil (2011 1) Director Retirement benefits are accruing in Group money purchase schemes for all 4 (2011 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 (2011 4) The number of Directors in respect of whose qualifying services shares were receivable under long term incentive schemes is 4 (2011 4)

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 2012 was £1.2 million (2011 £3.9 million)

7 Employee costs

The average number of employees employed by the Company was 849 (2011 741), all of whom are engaged on administrative and managerial tasks Employee costs are shown below

	2012 £'000	2011 £'000
Wages and salaries	45,593	40,599
Social security costs	5,919	4,824
Other pension costs	4,297	3,880
Employee share option costs	5,090	6,641
	<u>60,899</u>	<u>55,944</u>

Defined contribution personal pension plans are operated for employees Total pension costs of employer contributions to these plans in the year were £4.3 million (2011 £3.9 million) There were no prepaid or outstanding contributions outstanding at the year end (2011 £nil)

**Notes to the financial statements
for the year ended 31 December 2012(continued)**

8 Intangible assets

Cost	Computer Software £'000
At 1 January 2012	8,636
Additions	3,631
Disposals	-
At 31 December 2012	12,267
Accumulated amortisation	
At 1 January 2012	199
Charge for the year	403
Disposals	-
At 31 December 2012	602
Net book value	
At 31 December 2011	8,437
At 31 December 2012	11,665

**Notes to the financial statements
for the year ended 31 December 2012 (continued)**

9 Tangible assets

	Computer Equipment £'000	Fixtures, Fittings & Office Equipment £'000	Total £'000
Cost			
1 January 2012	5,622	26,890	32,512
Additions	1	913	914
Disposals	-	-	-
31 December 2012	5,623	27,803	33,426
Accumulated Depreciation			
1 January 2012	5,533	22,685	28,218
Charge for year	88	2,236	2,324
Disposals	-	-	-
31 December 2012	5,621	24,921	30,542
Net book value			
At 31 December 2011	89	4,205	4,294
At 31 December 2012	2	2,882	2,884

The net book value of assets held under finance leases is £2,000 (2011 £89,000) The amount of depreciation on assets held under finance leases during the period is £87,000 (2011 £376,518)

10 Debtors

	2012 £'000	2011 £'000
Amounts owed by fellow subsidiary undertakings	107,002	97,575
St James's Place Partnership loans	139,881	79,477
Other debtors	28,210	46,481
Prepayments and accrued income	11,569	12,205
Deferred tax asset	6,606	6,600
	293,268	242,338

Included within St James's Place Partnership loans are amounts of £105,636k receivable in more than one year (2011 £52,971k) The St James's Place Partnership loans are shown net of a provision of £6,705k (2011 £6,705k)

**Notes to the financial statements
for the year ended 31 December 2012 (continued)**

11 Investments –shares of parent company

3,052,273 shares (2011 3,048,030) in St James's Place plc are held at a value of £2.93 each (2011 £2.78) for the purposes of meeting future awards of the SJPC Employee Share Trust

The directors believe that the carrying value of the investment is supported by their underlying net assets

12 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loan	-	4,052
Amounts owed to fellow subsidiary undertakings	291,299	254,950
Other creditors including taxation and social security	34,959	27,448
Accruals and deferred income	27,025	25,726
	353,283	312,176

Bank loan

Bank loans include £nil (2011 £4.0 million) from Royal Bank of Scotland drawn under a three year £15.0 million revolving credit facility that is used to finance loans from the Group to members of the St James's Place Partnership

13 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Bank loan	70,000	39,000
	70,000	39,000

**Notes to the financial statements
for the year ended 31 December 2012 (continued)**

13 Creditors: amounts falling due after more than one year (continued)

	2012 £'000	2011 £'000
Bank loans		
Wholly repayable within five years	70,000	43,052
Included within current liabilities	-	(4,052)

	2012 £'000	2011 £'000
Loan maturity analysis		
Due more than one year but not more than two years	10,000	-
Due more than two years but not more and five	60,000	39,000

Bank loan

During the year, bank loans previously held from Barclays Bank plc (2011 £30.0 million) drawn under a three year £30 million revolving credit facility and from Royal Bank of Scotland (2011 £13.0 million) drawn under a three year £15.0 million revolving credit facility, were fully repaid. These loans were replaced by a new £45.0 million loan from Barclays Bank plc and a new £25.0 million loan from Royal Bank of Scotland during the year, in order to continue to finance loans from the Group to members of the St James's Place Partnership. The Partners' loans are secured against the future renewal income streams of that Partner.

The Company also guarantees £89.6 million (2011 £87.7 million) of direct loans from Bank of Scotland to members of the St James's Place Partnership drawn under a total facility of £125.0 million (2011 £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 it has not been recognised as a provision in accordance with FRS 12.

14 Provisions for liabilities and charges

	Office Restructuring £'000
At 1 January 2012	2,834
Provision utilised/released during the year	(2,422)
Additional provisions	617
At 31 December 2012	1,029

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Provisions for liabilities and charges (continued)

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.

15 Called up share capital

	2012 £'000	2011 £'000
Allotted and fully paid		
Equity interests		
7,000,001 (2011 7,000,001)		
Ordinary shares of £1 each	<u>7,000</u>	<u>7,000</u>

16 Reconciliation of movements in shareholders' deficit

	2012 £'000	2011 £'000
At 1 January	(28,591)	(25,497)
Loss for the financial year	(6,666)	(11,108)
Capital contribution reserve credit in respect of share option charges	5,457	8,014
At 31 December	<u>(29,800)</u>	<u>(28,591)</u>

17 Profit and loss account

	2012 £'000	2011 £'000
At 1 January	(103,133)	(92,025)
Loss for the financial year	(6,666)	(11,108)
At 31 December	<u>(109,799)</u>	<u>(103,133)</u>

18 Capital contribution reserve

	2012 £'000	2011 £'000
At 1 January	67,542	59,528
Movement for the financial year	5,457	8,014
At 31 December	<u>72,999</u>	<u>67,542</u>

Notes to the financial statements for the year ended 31 December 2012 (continued)

19 ESOP Trust

In order to encourage and facilitate the acquisition and holding of shares in 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 2012 is 3,052,273 (2011: 3,048,030) with a market value of £8,936,255 (2011: £8,479,586). These shares include 71,079 under option (2011: 193,632) and 2,981,194 (2011: 2,854,398) which have been conditionally gifted to employees.

20 Share based payments

During the year ended 31 December 2012 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 – 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 2012 (continued)

20 Share based payments (continued)

- 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 – 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 2012 amount to 18.1 million shares (2011: 29.3 million). Of these, 10.7 million (20.5 million) are under option to Partners of the St James's Place Partnership, 5.8 million (6.8 million) are under option to executives and senior management and 1.6 million (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 2011 and 2012

	SAYE	Executive Deferred Bonus	Executive Performance Share Plan
Awards in 2011			
Date of grant	23 March	15 March	Various
Number granted	327,130	1,133,358	1,797,964
Awards in 2012			
Date of grant	23 March & 26 Sept	26 March	Various
Number granted	1,621,267	733,212	1,590,512
Contractual life	3.5 years	3 years	3.5 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

Notes to the financial statements for the year ended 31 December 2012 (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
Awards in 2011:			
Fair value (pence)	125.1 ⁽²⁾	331.6	245.4/331.6 ⁽⁴⁾
Share price (pence)	322.3	331.6	331.6 to 355.0 ⁽⁵⁾
Exercise price (pence)	242.0	0.00	0.00
Expected volatility (% pa) ⁽¹⁾	44	N/A	44
Expected dividends (% pa)	1.9	N/A ⁽³⁾	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
Awards in 2012			
Fair value (pence)	102.1/110.6 ⁽²⁾	364.7	212.3/364.7 ⁽⁴⁾
Share price (pence)	362.0/369.9	364.7	341.5 to 371.0 ⁽⁵⁾
Exercise price (pence)	296.0/275.0	0.00	0.00
Expected volatility (% pa) ⁽¹⁾	34/32	N/A	34
Expected dividends (% pa)	2.2/2.4	N/A ⁽³⁾	N/A
Risk-free interest rate (% pa)	0.7/0.3	N/A	N/A
Volatility of competitors (% pa)	N/A	N/A	17 to 69
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 2011 and 2012, 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.

(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 five separate occasions during 2012 (2011: 6).

(6) There were no awards made in 2011 or 2012 for the executive share option schemes or the sales management share option schemes.

**Notes to the financial statements
for the year ended 31 December 2012 (continued)**

20 Share based payments (continued)

	Year Ended 31 December 2012	Year Ended 31 December 2012	Year Ended 31 December 2011	Year Ended 31 December 2011
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
SAYE:				
Outstanding at start of year	1,987,287	£ 1 70	1,889,767	£1 62
Granted	1,621,267	£ 2 86	327,130	£2 42
Forfeited	(594,764)	£ 2 88	(121,564)	£1 97
Exercised	(1,441,618)	£ 1 50	(108,046)	£2 10
Expired	-	-	-	-
Outstanding at end of year	1,572,172	£ 2 63	1,987,287	£1 70
Exercisable at end of year	5,468	£2 25	6,100	£1 50
Executive Share Options:				
Outstanding at start of year	987,443	£1 84	1,431,122	£1 78
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	(463,095)	£1 66	(443,679)	£1 63
Expired	-	-	-	-
Outstanding at end of year	524,348	£2 01	987,443	£1 84
Exercisable at end of year	524,348	£2 01	987,443	£1 84
Sales Management Share Options:				
Outstanding at start of year	-	-	12,500	£2 42
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	(12,500)	£2 42
Expired	-	-	-	-
Outstanding at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-
Partner Share Options:				
Outstanding at start of year	17,892,050	£ 2 45	22,542,325	£2 38
Granted	-	-	-	-
Forfeited	(24,667)	£ 1 37	(395,208)	£2 79
Exercised	(7,456,245)	£ 2 02	(4,255,067)	£2 01
Expired	-	-	-	-
Outstanding at end of year	10,411,138	£ 2 77	17,892,050	£2.45
Exercisable at end of year	10,398,388	£ 2 77	17,857,625	£2 46

The average share price during the year was 357.5 pence (2011 329.2 pence)

Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Share based payments (continued)

The SAYE plan options outstanding at 31 December 2012 had exercise prices of 150 pence (2,196 options), 204 pence (233,563 options), 242 pence (247,348), 296 pence (303,692) and 275 pence (785,373 options) and a weighted average remaining contractual life of 2.1 years

The options outstanding under the executive share option schemes at 31 December 2012 had exercise prices ranging from 85.5 pence to 254.25 pence and a weighted average remaining contractual life of 1.6 years

The options outstanding under the Partner share option schemes at 31 December 2012 had exercise prices ranging from 85.5 pence to 465 pence and a weighted average remaining contractual life of 3.0 years

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

	Year Ended 31 December 2012	Year Ended 31 December 2011
	Number of options	Number of options
Outstanding at start of year	5,851,489	5,954,291
Granted	1,590,512	1,797,964
Forfeited	(407,200)	(675,117)
Exercised	(1,764,426)	(1,225,649)
Expired	-	-
Outstanding at end of year	5,270,375	5,851,489
Exercisable at end of year	40,494	-

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

	Year Ended 31 December 2012	Year Ended 31 December 2011
	Number of options	Number of options
Outstanding at start of year	2,617,500	2,772,500
Granted	-	-
Forfeited	(223,854)	(155,000)
Exercised	(2,086,146)	-
Expired	-	-
Outstanding at end of year	307,500	2,617,500
Exercisable at end of year	-	-

**Notes to the financial statements
for the year ended 31 December 2012 (continued)**

20 Share based payments (continued)

Executive deferred bonus schemes (no proceeds on exercise)

	Year Ended 31 December 2012	Year Ended 31 December 2011
	Number of shares	Number of shares
Outstanding at start of year	2,690,807	2,705,275
Granted	733,212	1,133,358
Forfeited	(53,957)	(63,295)
Exercised	(505,675)	(1,084,531)
Outstanding at end of year	2,864,387	2,690,807
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% (2011–20%) correlated and that the comparator index has volatilities ranging between 17% pa and 69% pa (2011–14% pa to 111% 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 2012 therefore include an allowance for the actual performance of SJP plc's share price relative to the index over the period between 1 January 2012 and the various award dates.

Notes to the financial statements for the year ended 31 December 2012 (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

	2012 £'000	2011 £'000
Share-based payment expense	5,457	8,014

21 Related Party balances

	2012 £'000	2011 £'000
<i>Intra group debtors - net of provisions (if applicable)</i>		
St James's Place UK plc	6,436	1,999
St James's Place Reassurance 2009 Limited	1,233	-
St James's Place Wealth Management plc	12,742	4,822
St James's Place Unit Trust Group Limited	63	853
St James's Place Wealth Management Group plc	59,132	59,424
St James's Place (PCP) Limited	3,422	4,609
St James's Place (Properties) Limited	1,506	1,220
St James's Place Wealth Management (PCIS) Limited	3	-
St James Place International Assurance Group Limited	6,455	10,716
St James's Place Administration Limited	13,015	13,021
St James's Place European sarl	26	17
St James's Place Acquisition Services Limited	2,969	894
<i>Intra group creditors</i>		
St James's Place Property Services Limited	1,360	1,367
St James's Place International plc	52	297
Nascent Life Limited	4,780	4,842
St James's Place Investments plc	285,107	248,400
St James's Place Reassurance 2009 Limited	-	43
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 2012 these deposits totalled £5,146,058 (2011 £816,000)
- 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 £89.6 million (2011 £87.7 million)
- Amounts lent by the Bank of Scotland to the Company totalled £nil (2011 £52,000)

Notes to the financial statements for the year ended 31 December 2012 (continued)

22 Financial commitments

As at 31 December 2012, 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 2012 £'000	31 December 2011 £'000
<i>Office buildings</i>		
Within one year	1,651	257
Between two and five years	1,726	1,441
In more than five years	6,594	7,739
<i>Office equipment</i>		
Within one year	274	99
Between two and five years	551	444
In more than five years	-	-
Total financial commitments	10,796	9,980

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 financial statements are drawn up and of which the Company is a member. Copies of the consolidated financial statements 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 financial statements of the Company is St James's Place plc, a company registered in England and Wales, copies of whose consolidated financial statements 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.