

St. James's Place Management Services Limited

**Annual report
for the year ended 31 December 2002**

Registered no: 2661044



St. James's Place Management Services Limited

Annual report for the year ended 31 December 2002

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St. James's Place Management Services Limited

Directors and advisers

Executive directors

Mr D C Bellamy
Mr A M Croft
Mr H J Gladman
Mr M S Wilson
Mr S P Williams

Auditors

KPMG Audit Plc
1 Canada Square
London
E14 5AG

Secretary and registered office

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

Bankers

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

St. James's Place Management Services Limited

Directors' report for the year ended 31 December 2002

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company is the provision of management services to other group companies and the sales force.

Results and business review

The financial statements for the year ended 31 December 2002 are set out on pages 8 to 16. The retained loss for the year is disclosed on page 8. The directors have transferred this to reserves without declaring a dividend.

Future developments

The directors expect the company to continue providing management services.

Changes in fixed assets

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

Directors

The directors of the company are listed on page 2. All directors held office throughout the year.

Directors' interests

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

St. James's Place Management Services Limited

Directors' report for the year ended 31 December 2002 (continued)

Directors' interests (continued)

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

Executive Share Option Scheme

Director	Options held at 1 January 2002	Granted in year	Exercised/ Lapsed/ Cancelled in year	Options held at 31 December 2002	Exercise Price	Date from which Exercisable	Expiry date
H Gladman	10,500	-	-	10,500	0.57p	27 Dec 2001	27 Dec 2004
	44,625	-	-	44,625	1.71p	19 Jan 2002	19 Jan 2006
	140,113	-	-	140,113	£1.33	1 Jul 2001	13 Jul 2007
	-	84,375	-	84,375	£2.40	23 May 2005	23 May 2012
A Croft	8,400	-	8,400	-	0.57p	29 Mar 1999	9 Sep 2003
	14,000	-	14,000	-	1.71p	14 Feb 2000	14 Feb 2005
	57,419	-	-	57,419	£1.33	1 Jul 2001	13 Jul 2007
	25,000	-	25,000	-	£3.60 ¹ / ₂	13 Dec 2005	13 Dec 2010
	-	30,000	30,000	-	£2.80 ¹ / ₂	15 Mar 2007	15 Mar 2012
	-	25,000	-	25,000	£1.45	13 Dec 2005	13 Dec 2010
	-	30,000	-	30,000	£1.45	15 Mar 2007	15 Mar 2012
S P Williams	31,500	-	-	31,500	1.71p	19 Jan 2002	19 Jan 2006
	200,000	-	-	200,000	£1.33	1 Jul 2001	13 Jul 2007
	-	71,875	-	71,875	£2.40	23 May 2005	23 May 2012

Note: The exercise price corresponds with the share price on the date the options were granted. As at 31 December 2002 the share price of SJPC plc was £1.29. The range of prices between 1 January 2002 and 31 December 2002 was £1.21 to £3.55.

All Employee Share Option Scheme

Director	Options held at 1 January 2002	Granted/ (Exercised) in year	Options held at 31 December 2002	Exercise Price	Date from which Exercisable	Expiry date
H Gladman	16,121	(16,121)	-	£1.07	1 Sep 2002	1 Mar 2003
	-	15,913	15,913	£1.04	1 Nov 2007	30 Apr 2008
A Croft	16,121	-	16,121	£1.07	1 Sep 2002	1 Mar 2003
	-	15,913	15,913	£1.04	1 Nov 2007	30 Apr 2008
S Williams	16,121	-	16,121	£1.07	1 Sep 2002	1 Mar 2003
	-	15,913	15,913	£1.04	1 Nov 2007	30 Apr 2008

St. James's Place Management Services Limited

Directors' report for the year ended 31 December 2002 (continued)

Directors' interests (continued)

Shareholdings in SJPC plc

Director	31 December 2002 Ordinary Shares of 15 pence each		31 December 2001 Ordinary Shares of 15 pence each	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
H Gladman	189,855	-	176,014	-
A Croft	15,121	-	1,821	-
S Williams	99,565	84,761	95,061	84,761

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

H Gladman, A Croft and S Williams had no beneficial interests in the shares of the ultimate parent company, HBOS plc, as at 31 December 2002.

Employees

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

Payment policy for creditors

It is St. James's Place Management Services Limited's policy to pay creditors in accordance with the Confederation of British Industry (CBI) Better Practice Payment Code on supplier payments. The company's average number of days purchases outstanding in respect of trade creditors at 31 December 2002 was 27 days (2001: 26 days).

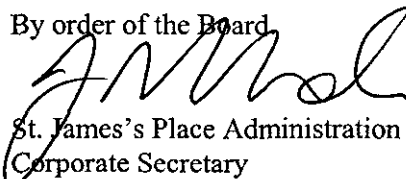
Economic Monetary Union

The effects on the company of the possible future adoption of the euro by the United Kingdom have been dealt with on a group basis in the consolidated financial statements of St. James's Place Capital plc.

Auditors

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

By order of the Board


St. James's Place Administration Limited
Corporate Secretary

13 February 2003

St. James's Place Management Services Limited

Statement of directors' responsibilities in respect of the financial statements

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of St. James's Place Management Services Limited

We have audited the financial statements on pages 8 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 6 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and Registered Auditor
London

14 February 2003

St. James's Place Management Services Limited

Profit and loss account for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Turnover	2	126,821	103,501
Cost of sales		(126,404)	(101,672)
Gross profit		417	1,829
Administrative expenses	4	(401)	(147)
Operating profit		16	1,682
Interest receivable		44	61
Interest payable and similar charges	3	(762)	(225)
(Loss) / profit on ordinary activities before taxation	4	(702)	1,518
Tax on (loss) / profit on ordinary activities	5	(1,392)	(167)
(Loss) / profit on ordinary activities after taxation, being loss for the financial year		(2,094)	1,351
Retained (loss) / profit for the year	12	(2,094)	1,351

All activities are continuing United Kingdom operations.

The company has no other recognised gains and losses during the current and previous year and therefore a separate statement of total recognised gains and losses has not been presented.

The notes on pages 10 to 16 form an integral part of these financial statements.

St. James's Place Management Services Limited

Balance sheet as at 31 December 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	7	7,174	8,463
Current assets			
Debtors	8	76,788	64,437
Cash at bank and in hand		408	7,478
		77,196	71,915
Creditors: amounts falling due within one year	9	(84,562)	(78,476)
Net current liabilities		(7,366)	(6,561)
Total assets less current liabilities, being net (liabilities)/assets		(192)	1,902
Capital and reserves			
Called up share capital	10	7,000	7,000
Profit and loss account	12	(7,192)	(5,098)
Shareholders' funds – equity interests		(192)	1,902

The financial statements on pages 8 to 16 were approved by the Board of Directors on 13 February 2003 were signed on its behalf by:



Director

The notes on pages 10 to 16 form an integral part of these financial statements.

St. James's Place Management Services Limited

Notes to the financial statements for the year ended 31 December 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. FRS 19 "Deferred tax" and certain transitional elements of FRS 17 "Retirement benefits" became effective, and were adopted, during the period. Neither standard has a material impact on the financial statements. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The company has taken advantage of the exemption permitted under FRS1 (Revised) not to prepare a cash flow statement as it is a wholly owned subsidiary of St. James's Place Capital plc, which prepares a consolidated cash flow statement dealing with the cash flows of the group.

Tangible fixed assets

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

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

The methods and annual rates used for this purpose are:

Motor vehicles	At a rate of 25% on a straight line basis.
Computer equipment	At a rate of 33 $\frac{1}{3}$ % on a straight line basis.
Fixtures and fittings	At a rate of 20% on a straight line basis.
Office Equipment	At a rate of 20% on a straight line basis.

Turnover

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

Cost of Sales

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

St. James's Place Management Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

1 Principal accounting policies (continued)

Deferred taxation

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

Operating Leases

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

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

	2002 £'000	2001 £'000
On bank loans and overdrafts	762	225

4 Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Operating lease income	408	451
And after charging:		
Depreciation on owned assets	3,499	2,694
Auditors' remuneration	21	22

St. James's Place Management Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

5 Tax on profit on ordinary activities

(a) Analysis of tax charge in the period:

	2002 £'000	2001 £'000
Corporation tax at 30% (2001: 30%)		
- current year	1,420	286
- adjustment in respect of prior years	(267)	(1,044)
Group relief		
- adjustment in respect of prior years	239	925
Total current tax charge for the year	1,392	167
Deferred taxation	-	-
Tax on profit on ordinary activities	1,392	167

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

The standard rate of corporation tax in the UK is 30% (2001: 30%). Differences to this in the actual current tax charge for the period (which excludes the deferred tax charge) are explained below:

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before taxation	(702)	1,517
Corporation tax at 30%	(211)	455
Effects of:		
Adjustments to tax charge in respect of:		
Depreciation	988	808
Contributions to employee benefits	570	(149)
New business system costs	112	-
Capital allowances	-	(793)
Disallowed expenses	-	29
Profit on disposal of assets	(39)	(64)
	1,631	(169)
Current tax charge for the year	1,420	286

St. James's Place Management Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

6 Directors' emoluments

None of the directors received any emoluments in respect of their services to the company for the year (2001: fnil).

The number of directors to whom retirement benefits are accruing is 5 (2001: 5). The benefits are accrued in the pension scheme of St. James's Place UK plc (formerly J. Rothschild Assurance plc), a fellow subsidiary company.

The number of directors who exercised options over the shares in SJPC plc during the year is 2 (2001: 3).

7 Tangible fixed assets

Cost	Motor Vehicles £'000	Computer Equipment £'000	Fixtures, Fittings & Office Equipment £'000	Total £'000
1 January 2002	3,706	6,027	15,451	25,184
Additions	538	915	1,569	3,022
Disposals	(2,012)	(16)	-	(2,028)
31 December 2002	2,232	6,926	17,020	26,178
Depreciation				
1 January 2002	1,814	4,586	10,321	16,721
Charge for year	537	1,203	1,759	3,499
Disposals	(1,215)	(1)	-	(1,216)
31 December 2002	1,136	5,788	12,080	19,004
Net book value				
At 31 December 2001	1,892	1,441	5,130	8,463
At 31 December 2002	1,096	1,138	4,940	7,174

Included in computer equipment is a net book value of £450,959 (2001: £556,553) in respect of assets which have been held for leasing under operating leases.

St. James's Place Management Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Debtors

	2002 £'000	2001 £'000
Amounts owed by fellow subsidiary undertakings	34,342	24,791
Other debtors	40,178	37,586
Prepayments and accrued income	2,268	2,060
	<hr/> 76,788	<hr/> 64,437

Included in other debtors are amounts falling due in more than one year of £29,299,000 (2001: £16,968,000).

9 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdraft	-	15,000
Bank loan	45,000	-
Amounts owed to parent undertakings	7,330	17,980
Amounts owed to fellow subsidiary undertakings	7,317	25,671
Other creditors including taxation and social security	13,936	10,042
Accruals and deferred income	10,979	9,783
	<hr/> 84,562	<hr/> 78,476

Bank loans and overdrafts

The company has an unsecured revolving credit facility, guaranteed by SJPC, amounting to £60 million expiring on 7 November 2007, arranged on a bilateral basis with the Royal Bank of Scotland and the Bank of Scotland.

At 31 December 2002, the amount outstanding under the facility was £45 million repayable on 13 February 2003 at an interest rate of 4.905%.

The bank overdraft which was repaid during the year was unsecured, repayable on demand and was subject to normal commercial overdraft rates of interest.

St. James's Place Management Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

10 Called up share capital

	2002 £	2001 £
Authorised		
7,000,001 (2001: 7,000,001)		
Ordinary shares of £1 each	7,000,001	7,000,001
	<hr/>	<hr/>
	2002 £	2001 £
Allotted, called up and fully paid		
Equity interests		
7,000,001 (2001: 7,000,001)		
Ordinary shares of £1 each	7,000,001	7,000,001
	<hr/>	<hr/>

11 Reconciliation of movement in equity shareholders' funds

	2002 £	2001 £
(Loss) / profit for financial year	(2,094)	1,351
	<hr/>	<hr/>
Net (reduction) / addition to shareholders' funds	(2,094)	1,351
Opening shareholders' funds	1,902	551
	<hr/>	<hr/>
Closing shareholders' funds	(192)	1,902
	<hr/>	<hr/>

St. James's Place Management Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

12 Profit and loss account

	£'000
At 1 January 2002	(5,098)
Loss for the year	(2,094)
	<hr/>
At 31 December 2002	(7,192)
	<hr/>

13 Ultimate parent undertaking

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

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

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

14 Related Party Transactions

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

15 Registered Office

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