ST. JAMES'S PLACE PLC

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ST. JAMES'S PLACE WEALTH MANAGEMENT

PRESS RELEASE

28 July 2011

HALF YEAR RESULTS
FOR THE SIX MONTHS
TO 30 JUNE 2011

RECORD HALF YEAR NEW BUSINESS
WITH NEW SINGLE PREMIUMS AT £2.7 BILLION
AND STRONG DIVIDEND GROWTH

St. James's Place plc ("SJP"), the wealth management group, today announces its new business and financial results for the half year ended 30 June 2011.

Highlights of the half year results are:

New Business:

- Total single investments of £2.73 billion (2010: £2.39 billion) up 14%
- Total new business, on an APE basis, of £335.6 million (2010: £292.6 million) up 15%
- Our own manufactured business represents 93% of new business (2010: 91%)

Funds Under Management:

- Continued strong retention of clients' funds
- Net inflow of funds of £1.7 billion (2010: £1.5 billion) up 13%
- Funds under management of £29.1 billion up 8% since the start of the year and 30% over the twelve months

St. James's Place Partnership:

- Partnership numbers at 1,601 up 3% since the start of the year

Profit - EEV basis**:**

- Group operating profit at £183.6 million (2010: £162.1 million) up 13%
- New business profits of £127.7 million (2010: £100.9 million) up 27%
- Net asset value per share 379.6 pence (2010: 294.9 pence) up 29%

- IFRS basis**:**

- Profit before shareholder tax of £55.3 million (2010: £36.3 million) up 52%
- Net asset value per share 127.4 pence (2010: 116.3 pence) up 10%

- Cash result:

- Post tax cash result £30.8 million (2010: £18.7 million) up 65%

Interim Dividend:

- Interim dividend 3.2 pence per share up 58%

David Bellamy, Chief Executive, commented:

"I am delighted to be reporting another very strong set of results and significant dividend increase. The results were particularly pleasing given the current economic environment, sovereign debt concerns and fragile stock markets. We continue to attract new funds from both new and existing clients who value the advice offered by our Partnership, the breadth of our investment proposition and our quality of service.

Alongside the growth in value, the Partnership are making excellent progress on their professional qualifications with over 80% of the Partnership qualified at Diploma level or close to it.

Later in the year we will be further broadening our investment proposition with the addition of new fund managers and re- launching the St. James's Place Academy to supplement our recruitment activity.

Despite the continued economic and market uncertainty, our business is in great shape and we are confident about our future prospects."

Enquiries:

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TOTAL LONG TERM SAVINGS

	Unaudited 3 Months to 30 June			Unaudited 6 Months to 30 June		
NEW PREMIUMS	**2011 £'m**	**2010 £'m**	**Change %**	**2011 £'m**	**2010 £'m**	**Change %**
New Regular Premiums						
- Pensions	30.2	26.7	13%	53.5	44.1	21%
- Protection	4.2	5.0	(16%)	8.8	9.4	(6%)
	34.4	**31.7**	**9%**	**62.3**	**53.5**	**16%**
New Single Premiums						
- Investment	509.0	507.7	-	1,027.0	948.7	8%
- Pensions	479.5	371.4	29%	889.5	749.8	19%
	988.5	**879.1**	**12%**	**1,916.5**	**1,698.5**	**13%**
Unit Trust Sales (including PEPs and ISAs)	**456.6**	**397.1**	**15%**	**816.9**	**692.7**	**18%**

	Unaudited 3 Months to 30 June			Unaudited 6 Months to 30 June		
	2011 £'m	**2010 £'m**	**Change %**	**2011 £'m**	**2010 £'m**	**Change %**
NEW BUSINESS (RP + 1/10TH SP)						
Investment	96.6	90.5	7%	184.4	164.1	12%
Pensions	78.1	63.8	22%	142.4	119.1	20%
Protection	4.2	5.0	(16%)	8.8	9.4	(6%)
Total	**178.9**	**159.3**	**12%**	**335.6**	**292.6**	**15%**

ST. JAMES'S PLACE WEALTH MANAGEMENT
NEW BUSINESS FIGURES
FOR THE SIX MONTHS TO 30 JUNE 2011
MANUFACTURED
LONG TERM SAVINGS

	Unaudited 3 Months to 30 June			Unaudited 6 Months to 30 June		
NEW PREMIUMS	**2011 £'m**	**2010 £'m**	**Change %**	**2011 £'m**	**2010 £'m**	**Change %**
New Regular Premiums						
- Pensions	26.2	19.7	33%	44.5	34.8	28%
- Protection	1.1	1.1	-	2.4	2.4	-
	27.3	**20.8**	**31%**	**46.9**	**37.2**	**26%**
New Single Premiums						
- Investment	492.0	491.8	-	998.2	929.1	7%
- Pensions	449.1	336.7	33%	826.1	676.9	22%
	941.1	**828.5**	**14%**	**1,824.3**	**1,606.0**	**14%**
Unit Trust Sales (including PEPs and ISAs)	**456.6**	**397.1**	**15%**	**816.9**	**692.7**	**18%**

	Unaudited 3 Months to 30 June			Unaudited 6 Months to 30 June		
	2011 £'m	**2010 £'m**	**Change %**	**2011 £'m**	**2010 £'m**	**Change %**
NEW BUSINESS (RP + 1/10TH SP)						
Investment	94.9	88.9	7%	181.5	162.1	12%
Pensions	71.1	53.4	33%	127.1	102.5	24%
Protection	1.1	1.1	-	2.4	2.4	-
Total	**167.1**	**143.4**	**17%**	**311.0**	**267.0**	**16%**
% of total new business	93%	90%		93%	91%	

ST. JAMES'S PLACE WEALTH MANAGEMENT
NEW BUSINESS FIGURES
FOR THE SIX MONTHS TO 30 JUNE 2011
NON MANUFACTURED
LONG TERM SAVINGS

For the three months:

- Investment premiums of £17.0 million (2010: £15.9 million), amounting to £1.7 million (2010: £1.6 million) on an APE basis.

- Pension single premiums of £30.4 million (2010: £34.7 million) and regular premiums of £4.0 million (2010: £7.0 million), amounting to £7.0 million (2010: £10.4 million) on an APE basis.

- Protection business of £3.1 million regular premiums (2010: £3.9 million).

- Total new business, on an APE basis, of £11.8 million (2010: £15.9 million).

For the six months:

- Investment premiums of £28.7 million (2010: £19.6 million), amounting to £2.9 million (2010: £2.0 million) on an APE basis.

- Pension single premiums of £63.4 million (2010: £72.9 million) and regular premiums of £9.0 million (2010: £9.3 million), amounting to £15.3 million (2010: £16.6 million) on an APE basis.

- Protection business of £6.4 million regular premiums (2010: £7.0 million).

- Total new business, on an APE basis, of £24.6 million (2010: £25.6 million).

INTERIM MANAGEMENT REPORT

INTERIM STATEMENT

Despite the uncertain and fragile economic recovery, St. James's Place continues to attract new investments and perform strongly across all of its key measures.

During the first six months of the year we have continued to grow new business, funds under management, the Partnership, profits and the dividend.

New business and funds under management

Total new business for the six months, on an annual premium equivalent basis ("APE") was up 15% with the second quarter being our highest ever.

New single investment and pension business at £2.73 billion was 14% higher than the same period last year with unit trust and ISA business up 18%.

We continue to maintain strong retention of existing client funds which combined with the new business resulted in a net fund inflow of £1.7 billion.

Total funds under management at 30 June 2011, at £29.1 billion, were 30% higher then 30 June 2010 and 8% higher than the start of the year.

Financial performance

In line with previous years, we have presented our results on both an IFRS (International Financial Reporting Standards) basis and on an EEV (European Embedded Value) basis.

On an IFRS basis the operating profit before shareholder tax at £55.3 million was 52% higher than the £36.3 million for the prior period last year, whilst on an EEV basis the operating profit at £183.6 million was some 13% higher than the same period of 2010.

After taking into account the investment into new business, the cash result for the half year, was £30.8 million, 65% higher than the £18.7 million recorded in the first six months of 2010.

The Financial Commentary on pages 8 to 29 provides comprehensive detail on the performance of the Group on these profit measures.

Dividend

As shareholders will recall, the final 2010 dividend was increased by 49% to provide for a full year dividend increase of 33% as part of a two year rebasing of the dividend. We also indicated that shareholders could expect a further significant increase in the 2011 dividend.

Subject to any unforeseen circumstances, this remains the Board's intention and the performance of the business during the first six months reinforces our confidence in this regard. Consequently in order to rebalance the interim dividend to the historic level of about 40% of the anticipated full year dividend, the Board propose increasing the interim dividend by 58% to 3.2p per share.

The dividend will be paid on 14 September 2011 to shareholders on the register at the close of business on 5 August 2011.

Shareholders will again be offered a scrip dividend. This scrip alternative will be replaced with a Dividend Reinvestment Plan ('DRIP') for the 2011 final dividend payment.

Investment management

Global investment markets started the year on a growth trajectory but fell back on sovereign debt and economic recovery concerns, ending the six months relatively flat. The FTSE 100 for example was up less than 1%.

Against this backdrop our funds have performed solidly during the period. Over five and ten years, consistent with a medium to long term investment horizon, more than 60% of our clients' money was in the top half of the respective fund peer group.

Our investment proposition for clients continues to broaden and we will see the addition of three new managers later in the year when we launch our new Global Equity Fund. We now have over 30 first class investment managers to manage our clients' funds, together with a range of new 'model' portfolios designed to match a wide variety of individual circumstances. The breadth of our fund offering provides an excellent platform to continue to grow our funds under management in the coming years.

The St. James's Place Partnership

During the first six months of the year we continued to attract high quality advisers to the Partnership with the size of the Partnership increasing by a net 49 (2010: 42) to 1,601, an increase of 3.2%. Whilst we continue to see a positive recruitment outlook, later this year we intend to re-launch our Academy programme, to train selected individuals to become Partners, as a supplement to recruitment going forward.

Partner productivity, on an APE basis, continued to improve with an increase of 8%.

During the six months a further 343 Partners reached the new higher level of qualification required by the FSA rules that come into force at the end of 2012. Nearly 60% of the Partnership is now diploma qualified with a further 25% within one or two exams of qualifying. This is a significant achievement and we extend our congratulations to all those who have passed exams in the first half of the year.

Partners and employees

The continued strong growth in new business and profits in the last six months are a credit to the hard work and dedication of our Partners and employees.

On behalf of the Board and shareholders we thank everyone connected to St. James's Place for their contribution to these strong results and for their continued enthusiasm, dedication and commitment.

Outlook

We continue to attract new funds from both new and existing clients who value the advice offered by the Partners, the breadth of the investment proposition and the quality of service. This recognises the fact that, despite the continued weakness in the economy, the need for financial advice and prudent investment for the future is as great as ever.

We therefore believe that our model of face to face advice and our client offering leaves us well placed to grow the business in line with previously stated growth objectives.

Mike Wilson
Chairman
27 July 2011

David Bellamy
Chief Executive
27 July 2011

INTERIM MANAGEMENT REPORT

FINANCIAL COMMENTARY

As noted in the earlier Chairman and CEO's statement, despite the uncertain and fragile economic recovery, St. James's Place continues to attract new investments at a growing rate and consequently we are reporting a strong performance for the first half of the year. IFRS profit before shareholder tax increased by 52% to £55.3 million, EEV operating profit was up 13% to £183.6 million and the cash result was up 65% to £30.8 million.

The increase in new business together with careful management of the establishment expenses has resulted in a further increase in the new business margin, whilst our continued prudent investment policy means that our solvency assets are immunised from the evolving sovereign debt crisis in certain European States.

THE FINANCIAL MODEL

The Group's strategy is to attract retail funds under management by providing trusted advice through the St. James's Place Partnership. Over the longer term we aim to provide our clients with ongoing advice, a high quality level of service and above average investment returns. As a result we expect to retain both the client relationship and the funds under management for the long term.

The main source of income for the group is the annual receipt of a fee from funds under management. This lasts as long as the client relationship remains. Our business is therefore long term in nature both from a client perspective and with regards to the income that is generated.

Out of this income we meet the overheads of the business, invest in growing the Partnership and invest to acquire new funds under management. In effect, a large proportion of the annual cash generated each year is re-invested in growing the business with the aim of producing additional future returns for shareholders. The new business generated in a particular year is expected to earn income for an average period of 14 years and so provides a good return for the investment.

In summary, the business model generates cash in the medium to long term, and the growth in that income will ensure we are able to continue paying a growing dividend to shareholders.

PRESENTATION OF FINANCIAL RESULTS

As noted above, our business is long term in nature, and for this reason we present the results on an EEV and cash basis in addition to the statutory IFRS basis. These supplementary measures provide readers with different perspectives to assess the performance, which we believe will assist them in making their assessment of the valuation of the business.

Before looking at the results on each of the bases, a summary of the aims of the different presentations is provided below.

The EEV result provides full recognition of the emergence of shareholder cash over the long term, by reflecting the net present value of the expected future cash flows. This presentation is also commonly referred to as a 'discounted cash flow' valuation. The embedded value profit reported in one year will emerge as cash in future years.

The cash result is a measure of the underlying cash generated by the business. It is a combination of the cash arising from the business in-force at the start of the year, less the costs incurred to acquire new business in the current year. Investment in new business means the cash result today is depressed by the growth in the business and the cash returns from this investment in new business will emerge in future years.

The aim of the IFRS methodology is to smooth recognition of profit from new business by spreading the initial costs (and charges) evenly over the life of the business. The result therefore reflects neither the future shareholder value added, nor the cash impact of the new business in a particular year.

In summary, the EEV result provides a measure of the future shareholder value added from the new business in a particular year, whilst the cash result provides a measure of the underlying cash that has been generated for shareholders in the year (a factor in determining the dividend). We believe it is these two measures that better represent shareholder value.

Sections 1-3 below provide a commentary on the performance of the business on these bases, whilst Section 4 covers other matters of interest to shareholders.

SECTION 1: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRS Result

The IFRS result is shown on pages 38 to 54.

Total profit before shareholder tax for the six months was £55.3 million, up 52% on the result for the same period in the prior year of £36.3 million.

The key driver of the improved result was higher income from funds under management, with the average funds under management in the six month period being £28 billion, some 27% higher than the prior period.

The IFRS result requires the pre-tax profit of the life business to be 'grossed up' for policyholder tax, with the corresponding amount then being deducted within the tax charge. The table below reflects the IFRS result after eliminating this 'gross up' in order to show the shareholder return from the business. The Board views this figure as the best measure of the performance for the period based on the IFRS result.

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£' Million	£' Million	£' Million
Life business	49.1	27.5	72.8
Unit Trust business	14.4	8.4	17.3
Distribution business	-	5.9	5.8
Other	(8.2)	(5.5)	(11.7)
Profit before shareholder tax	55.3	36.3	84.2
Policyholder tax	3.8	(8.1)	77.7
Total pre-tax profits	59.1	28.2	161.9
Policyholder tax	(3.8)	8.1	(77.7)
Shareholder tax	(7.7)	(7.9)	(29.2)
Profit after tax	47.6	28.4	55.0

Life business

The life business profit for the six months to 30 June 2011 at £49.1 million (2010: £27.5 million) was higher than the same period last year.

The principal contributor to this rise in profit was the higher income from funds under management reflecting recent growth in the business. The interest earnings on the free assets of the Group remain depressed due to the continuing low bank base rates. Our investment policy for managing these free assets remains very prudent.

Unit Trust business

The unit trust profit for the six months at £14.4 million (2010: £8.4 million) was also higher than the same period last year, due to higher funds under management.

Distribution business

The impact of distribution activity is separately identified from 'Other' operations. SJP is a vertically integrated firm, allowing it to benefit from synergies of combined management of funds and distribution. So, whilst the management of funds lies at the core of our profit, a further margin will arise from the distribution activity dependent upon the level of new business and expenses.

As the income is variable and a proportion of the costs are fixed in nature, the result will vary with the level of new business. This reflects the operational leverage of the distribution activity. However in 2011, the rate of income paid for distribution activity reduced, as a result of the equalisation of Partner remuneration across product categories in anticipation of RDR. The associated drop in income results in the reporting of a profit of £nil (2010: £5.9 million) from distribution activity in the period, which is lower than in the same period last year.

Other

Other operations contributed a loss of £8.2 million (2010: loss of £5.5 million). Included within this figure is the cost of expensing share options of £5.9 million for the current period (2010: £4.9 million). The balance is made up of a number of small positive and negative items.

Profit before Shareholder tax

The total profit before shareholder tax for the period was £55.3 million (2010: £36.3 million).

Policyholder tax

The policyholder tax reflects the movement in the tax provision charged to policyholder funds. There was a £3.8 million charge (2010: credit of £8.1 million) in the period mainly due to the change in deferred tax on unrealised capital gains on equity holdings in the unit linked funds, which is closely correlated with movements in asset values within these funds. During the same period last year the stock market reduced resulting in a policyholder tax credit.

Taking account of the policyholder tax, the pre-tax profit for the first six months of the year was £59.1 million (2010: £28.2 million).

Analysis of constituent parts of the IFRS profit before shareholder tax

The tables and commentary below provide an analysis of the constituent parts of the IFRS profit before shareholder tax for the reporting periods. The first section analyses the shareholder tax and the second section analyses the post-tax IFRS profit.

Shareholder tax

The actual tax rate in each of the periods is impacted by stock market related timing differences and one off events such as the change in corporation tax rate. As a consequence it can vary significantly. To assist shareholders, the table below provides a high level analysis of shareholder tax, and a more detailed analysis is included in Note 4 to the condensed half year financial statements.

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£' Million	£' Million	£' Million
Expected shareholder tax *	15.0	10.2	24.8
Market related tax effects	(2.5)	(2.8)	1.0
Other tax adjustments	(1.0)	0.5	7.0
Corporation tax rate change	(3.8)	-	(3.6)
Actual shareholder tax	7.7	7.9	29.2
Expected shareholder tax rate *	27.0%	28.0%	29.4%
Actual shareholder tax rate	13.9%	21.8%	34.7%

* Expected shareholder tax reflects the current corporation tax rate adjusted for differences arising from the tax regimes affecting some St. James's Place Group companies. Market related tax effects are identified separately.

As will be noted from the table above, whilst the expected tax rate was 27.2% (2010: 28.0%), the actual tax rate was 13.9% (2010: 21.8%). The most significant impact year on year was the change in corporation tax rate, and ignoring this effect the actual tax rate in the current period would have been 20.3% at a similar level to the actual tax rate for the first half of 2010.

IFRS profit (post-tax)

The tables and commentary below are based on the cash result analysis set out on page 19.

6 Months Ended 30 June 2011

	Note	**In Force**	**New Business**	**Total**
		£'Million	£'Million	£'Million
Cash result	1	64.8	(34.0)	30.8
DIR amortisation	2	40.7	2.6	43.3
DAC amortisation	3	(31.5)	(2.6)	(34.1)
PVIF amortisation	4	(1.4)	-	(1.4)
DIR on new business	2	-	(69.5)	(69.5)
DAC on new business	3	-	75.9	75.9
Share options	5	(5.9)	-	(5.9)
IFRS deferred tax impacts	6	4.6	-	4.6
Other IFRS	7	0.1	-	0.1
Corporation tax rate change	8	3.8	-	3.8
IFRS profit (post-tax)		**75.2**	**(27.6)**	**47.6**

6 Months Ended 30 June 2010

	Note	In Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	52.6	(33.9)	18.7
DIR amortisation	2	34.7	2.2	36.9
DAC amortisation	3	(26.9)	(2.2)	(29.1)
PVIF amortisation	4	(1.4)	-	(1.4)
DIR on new business	2	-	(57.1)	(57.1)
DAC on new business	3	-	66.3	66.3
Share options	5	(4.9)	-	(4.9)
IFRS deferred tax impacts	6	0.2	-	0.2
Other IFRS	7	(1.2)	-	(1.2)
IFRS profit (post-tax)		**53.1**	**(24.7)**	**28.4**

12 Months Ended 31 December 2010

	Note	In Force	New Business	Total
		£'Million	£'Million	£'Million
Cash result	1	109.7	(61.4)	48.3
DIR amortisation	2	71.0	5.2	76.2
DAC amortisation	3	(55.2)	(5.2)	(60.4)
PVIF amortisation	4	(2.9)	-	(2.9)
DIR on new business	2	-	(124.9)	(124.9)
DAC on new business	3	-	137.9	137.9
Share options	5	(8.2)	-	(8.2)
IFRS deferred tax impacts	6	(8.0)	-	(8.0)
Other IFRS	7	(6.6)	-	(6.6)
Corporation tax rate change	8	3.6	-	3.6
IFRS profit (post-tax)		**103.4**	**(48.4)**	**55.0**

The total post-tax IFRS profit arising in the six months to 30 June 2011 increased by 68% to £47.6 million (2010: £28.4 million), principally reflecting the higher cash arising from the higher funds under management.

Within the result, the post-tax profit from the in-force business at the start of the year increased to £75.2 million (2010: £53.1 million).

The loss associated with acquiring new business during the six months was £27.6 million (2010: £24.7 million) and should be viewed as an investment for future profits. These profits will arise as net annual management fees less the future amortisation of the associated deferred acquisition cost ("DAC") and deferred income ("DIR") in subsequent years.

Notes:

1. These figures are explained in the analysis of the post-tax cash result in Section 3.

2. DIR: IFRS requires any initial profit which arises on new business (either through an initial charge or surrender penalty) to be deferred at the outset and then amortised over the life of the associated product or the surrender penalty period. This required treatment gives rise to two adjustments to arrive at the IFRS result.

(a) The amortisation of the opening deferred income which increases profit for the period and was £40.7 million (2010: £34.7 million) in the first six months. The release in a particular year will depend upon the value of DIR at the start of the year and the remaining life of the policies to which the DIR relates or the remaining surrender penalty period. The expected release for the full year is £82.9 million.

(b) The deferral of the initial profit associated with new business sales in the period. In the first six months the deferred profit reduced the IFRS result by £69.5 million (2010: £57.1 million). The deferral of profit in any particular year will be dependent upon the level of new business.

3. DAC: Specific new business acquisition expenses are required to be deferred in the year they arise and then amortised in future years over the life of the policies to which the costs relate. This treatment of these acquisition expenses gives rise to two adjustments to arrive at the IFRS result.

(a) The amortisation of the opening DAC, which reduces profit for the period, was £31.5 million (2010: £26.9 million) in the first six months. The charge in a particular period will depend upon the value of the DAC at the start of the year and the remaining life of the policies to which the DAC relates. The expected amortisation charge for the full year is £64.3 million.

(b) The deferral of the specific acquisition costs incurred in the current period. In the first six months this deferral increased IFRS profits by £75.9 million (2010: £66.3 million). The deferral of expenses in any particular year will be dependent upon the level of the acquisition costs which themselves will be determined by the level of new business.

4. The IFRS balance sheet includes an asset representing purchased value of in-force ("PVIF"). This asset is amortised over the remaining life of the policies associated with this asset. The amortisation charge for the first six months was £1.4 million (2010: £1.4 million). The charge for the full year is expected to be £2.8 million.

5. Share options: this figure is the notional cost that is associated with the various share option schemes.

6. IFRS deferred tax: under IFRS a deferred tax asset is established for future benefits, not recognised in the cash result, that are expected to be derived.

7. Other IFRS: this reflects a number of other adjustments from the cash result. There will be a small impact, either positive or negative, in future years.

8. Corporation tax rate change: the above adjustments are all shown net of deferred tax rates prevailing at 30 June 2011. The budget on 23 March 2011 implemented an immediate 1% reduction in the corporation tax rate to 26% for the 2011/2012 tax year and £3.8 million (2010: £nil) reflects the effect on the deferred tax of the change in the tax rate from 27% to 26%. The 2011 Finance Act was substantively enacted in early July and confirmed a further 1% reduction in tax rate to 25% for the 2012/2013 tax year, this reduction will be reflected in the IFRS result in the second half of the year and would increase the post tax profit at 30 June 2011 by a further £3.5 million.

Analysis of IFRS Assets and Net Assets per Share

The table below provides a summarised breakdown of the IFRS position at the reporting dates:

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	Year Ended 31 December 2010
	£' Million	£' Million	£' Million
Purchased value of in-force*	35.7	37.6	36.7
Deferred acquisition costs*	615.0	513.0	563.1
Deferred income*	(418.0)	(349.7)	(385.0)
Other IFRS net assets	78.7	81.9	75.9
Solvency net assets	314.5	281.2	295.6
Total IFRS net assets	625.9	564.0	586.3

* net of deferred tax

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	Year Ended 31 December 2010
	Pence	Pence	Pence
Net asset value per share	127.4	116.3	120.6

SECTION 2: EUROPEAN EMBEDDED VALUE (EEV)

Life business differs from most other businesses, in that the expected shareholder cash flows from the sale of a product emerge over a long period in the future. We therefore present our results not only on an IFRS basis, but also on an EEV basis, which brings into account the net present value of the expected future cash flows.

We continue to believe that the EEV basis provides a more meaningful measure of the Group's operating performance.

EEV Result

The table below summarises the pre-tax profit of the combined business and the detailed result is shown on pages 31 to 37.

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	Year Ended 31 December 2010
	£' Million	£' Million	£' Million
Life business	139.9	117.7	256.8
Unit Trust business	51.9	44.0	81.7
Distribution business	-	5.9	5.8
Other	(8.2)	(5.5)	(11.7)
Operating profit	**183.6**	**162.1**	**332.6**
Investment return	0.9	(84.5)	117.6
Economic assumption changes	(1.9)	9.4	4.8
Total pre-tax result	182.6	87.0	455.0
Taxation	(43.4)	(23.9)	(120.1)
Corporation tax rate change	17.8	-	17.7
Post-tax result	157.0	63.1	352.6

The operating profit at £183.6 million was some 13% higher than £162.1 million profit for the same period last year. The movement in the profit for each business is noted in the commentary below.

Life business

The life business operating profit has increased to £139.9 million (2010: £117.7 million) and a full analysis of the result is shown below:

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 month Ended 31 December 2010
	£' Million	£' Million	£' Million
New business contribution	91.6	70.1	157.9
Profit from existing business			
- unwind of discount rate	46.6	37.2	74.0
- experience variance	(0.2)	8.8	24.8
- operating assumption change	-	-	(3.4)
Investment income	1.9	1.6	3.5
Life operating profit before tax	139.9	117.7	256.8

The **new business contribution** for the six months at £91.6 million (2010: £70.1 million) was over 30% higher than the prior year. This reflected the higher volume of manufactured new business, which was up 16% on an APE basis, lower growth in associated expenses, a reduction in the corporation tax rate and a reduction in the level of the initial Partner remuneration on unit linked bond sales.

Consequently the new business margin as a percentage of APE expanded from 31.4% to 36.1%

The **unwind of the discount rate** for the six months was £46.6 million (2010: £37.2 million). This increase principally reflects the higher opening value of in-force at the start of 2011 compared with the prior year.

There was a negative **experience variance** in the six months of £0.2 million compared with a positive £8.8 million for the same period last year. Included in the current year figure is a negative £3.4 million resulting from an increase in the level of premium reductions on regular premium pension business following the changes to the maximum contribution allowance from April 2011. The positive £8.8 million for the prior year principally reflected stronger than assumed retention of funds under management.

Investment income for the period at £1.9 million (2010: £1.6 million) reflects the interest rate we earn on our free assets and is slightly higher than 2010 due to the higher underlying net assets.

Unit Trust business

The unit trust operating profit was £51.9 million (2010: £44.0 million) and a full analysis of the result is shown below:

	6 Months Ended 30 June 2011 £' Million	6 Months Ended 30 June 2010 £' Million	12 month Ended 31 December 2010 £' Million
New business contribution	36.1	30.8	59.9
Profit from existing business			
- unwind of discount rate	12.5	9.6	19.5
- experience variance	3.0	3.3	1.6
- operating assumption change	-	-	-
Investment income	0.3	0.3	0.7
Unit Trust operating profit	51.9	44.0	81.7

New business contribution at £36.1 million (2010: £30.8 million) was 17% higher than the prior year as a result of the strong new business in the period with the margin as a percentage of APE remaining around the 44% level.

The **unwind of the discount rate** at £12.5 million (2010: £9.6 million) reflects the respective value of in-force at the start of each of the reporting periods.

There was a positive experience of £3.0 million (2010: £3.3 million) which is accounted for by a number of small positive items.

Distribution and Other operations

The result from distribution and other operations have previously been commented on in the IFRS section.

Investment return

Despite significant volatility in the world stock markets during the first half of the year, at the end of the period markets have moved very little from their 2010 year end position.

The investment return of our funds marginally exceeded the assumed return of 2.9% and consequently there was a small positive investment variance of £0.9 million. In the first six months of the prior year the lower stock markets contributed to a negative investment variance of £84.5 million.

Economic Assumption Changes

An increase in market expectations of future inflation during the first six months of the year has resulted in a small negative £1.9 million economic assumption change. This compares to a positive £9.4 million for the prior year which reflected a larger than expected fall in inflation.

The total pre-tax result for the six months was a profit of £182.6 million (2010: £87.0 million).

Taxation change

The budget on 23 March 2011 implemented an immediate 1% reduction in the corporation tax rate to 26% for the 2011/2012 tax year. The impact of this reduction in corporation tax was to increase the post tax profit by £17.8 million and this has been shown within the tax charge.

The 2011 Finance Act was substantively enacted in early July and confirmed a further 1% reduction in tax rate to 25% for the 2012/2013 tax year. Furthermore, the Government has stated its intention to reduce the corporation tax by a further 1% per year in each of the following two years. The combined impact of all these future tax changes will increase the embedded value by £36.7 million and increase the net asset value per share by 7.5p.

New Business margin

The insurance sector has historically disclosed new business in terms of Annual Premium Equivalent (APE). Most commentators would agree that APE no longer has much correlation with the underlying profitability of the new business and consequently the industry is moving to provide additional disclosure on the present value of new business premiums (PVNBP).

APE is calculated as the sum of regular premiums plus 1/10th single premiums. PVNBP is calculated as single premiums plus the present value of expected premiums from regular premium business, allowing for lapses and other EEV assumptions.

Noted in the table below is the new business margin calculated both as a % of APE and PVNBP.

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
Life business			
New business contribution (£' m)	91.6	70.1	157.9
APE (£'m)	253.9	223.3	457.2
Margin (%)	36.1	31.4	34.5
PVNBP (£'m)	2,061.1	1,795.7	3,697.1
Margin (%)	4.4	3.9	4.3
Unit Trust business			
New business contribution (£' m)	36.1	30.8	59.9
APE (£'m)	81.7	69.3	124.6
New business margin (%)	44.1	44.5	48.1
PVNBP (£'m)	816.9	692.7	1,246.2
Margin (%)	4.4	4.5	4.8
Total business			
New business contribution (£' m)	127.7	100.9	217.8
APE (£'m)	335.6	292.6	581.8
New business margin (%)	38.1	34.5	37.4
PVNBP (£'m)	2,878.0	2,488.4	4,943.3
Margin (%)	4.4	4.1	4.4

The PVNBP calculation only includes our manufactured business, as we do not apply these principles to the non-manufactured business.

The life new business margin increased to 4.4% (2010: 3.9%) on a PVNBP basis and to 36.1% (2010: 31.4%) on an APE basis. This reflects strong growth in single premium investment business, careful management of expenses and the reduction in the corporation tax rate. In addition, as highlighted in the 2010 full year financial commentary, the level of the initial Partner remuneration on unit linked bond sales was reduced at the start of the year. This reduction offsets an increase in unit trust remuneration in 2010 that resulted in a reduced unit trust margin in that year.

The unit trust new business margin was marginally lower on both a PVNBP basis at 4.4% (2010: 4.5%) and on an APE basis at 44.1% (2010: 44.5%).

The total new business margin increased from 4.1% to 4.4%, on a PVNBP basis, and from 34.5% to 38.1% on an APE basis.

Analysis of the European Embedded Value and Net Asset per Share

The table below provides a summarised breakdown of the Embedded Value position at the reporting dates:

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	Year Ended 31 December 2010
	£' Million	£' Million	£' Million
Value of in-force			
- Life	1,231.8	919.1	1,131.2
- Unit Trust	318.2	230.0	288.7
Solvency net assets	314.5	281.2	295.6
Total embedded value	1,864.5	1,430.3	1,715.5

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	Year Ended 31 December 2010
	Pence	Pence	Pence
Net asset value per share	379.6	294.9	352.9

SECTION 3: CASH RESULT AND CAPITAL

Noted below are a number of issues regarding the post-tax cash result and the capital position.

Cash result

As noted in the section above, the Board believes that the EEV approach provides the most meaningful measure of the Group's operating performance. However, EEV reflects all future cash flows, which in a growing company may be significantly larger than the current level of cash being generated. To assist shareholders, this section provides disclosure on the underlying post-tax cash result of the Group.

The cash result is the combination of the cash arising from the business in force at the start of the year less the investment to acquire the new business in the current period. In effect, a proportion of the cash arising from the in-force business is reinvested for future cash returns.

During the six months the net cash result at £30.8 million increased by 65% compared with the £18.7 million in the first six months of 2010.

The tables and commentary below provide an indicative analysis of the cash result.

6 Months Ended 30 June 2011	**Note**	**Arising from business in-force at 1 January 2011**	**Investment in new business during period**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	102.3	5.4	107.7
Unwind of surrender penalties	2	(36.8)	(1.7)	(38.5)
Net income from funds under management		65.5	3.7	69.2
Margin arising from new business	3	-	(0.6)	(0.6)
Establishment expenses	4	(3.6)	(32.6)	(36.2)
Development expenses	5	-	(2.2)	(2.2)
FSA/FSCS fees	6	(0.3)	(2.3)	(2.6)
Shareholder interest (regulated companies)	7	1.4	-	1.4
Shareholder interest (non-regulated companies)	7	1.0	-	1.0
Miscellaneous	8	0.8	-	0.8
Post-tax cash result		64.8	(34.0)	30.8

6 Months Ended 30 June 2010	**Note**	**Arising from business in-force at 1 January 2010**	**Investment in new business during period**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	79.2	4.5	83.7
Unwind of surrender penalties	2	(26.3)	(1.2)	(27.5)
Net income from funds under management		52.9	3.3	56.2
Margin arising from new business	3	-	(5.1)	(5.1)
Establishment expenses	4	(3.4)	(30.4)	(33.8)
Development expenses	5	(2.0)	-	(2.0)
FSA/FSCS fees	6	(0.2)	(1.7)	(1.9)
Shareholder interest (regulated companies)	7	0.8	-	0.8
Shareholder interest (non-regulated companies)	7	0.7	-	0.7
Miscellaneous	8	3.8	-	3.8
Post-tax cash result		52.6	(33.9)	18.7

Year Ended 31 December 2010	**Note**	**Arising from business in-force at 1 January 2010**	**Investment in new business during year**	**Total**
		£'Million	**£'Million**	**£'Million**
Net annual management fee	1	159.5	18.4	177.9
Unwind of surrender penalties	2	(56.5)	(6.5)	(63.0)
Net income from funds under management		103.0	11.9	114.9
Margin arising from new business	3	-	(2.6)	(2.6)
Establishment expenses	4	(6.6)	(59.8)	(66.4)
Development expenses	5	-	(4.2)	(4.2)
FSA/FSCS fees	6	(0.7)	(6.7)	(7.4)
Shareholder interest (regulated companies)	7	1.9	-	1.9
Shareholder interest (non- regulated companies)	7	1.4	-	1.4
Miscellaneous	8	10.7	-	10.7
Post-tax cash result		109.7	(61.4)	48.3

The commentary below provides an explanation of the movement for the six months.

Notes

1. The net annual management fee: this is the manufacturing margin the Group retains from the funds under management after payment of the associated costs (e.g. investment advisory fees and Partner remuneration). Broadly speaking the Group retains around 1% pre-tax (0.7% post-tax) of funds under management.

   The level of net annual management fee was some 29% higher than the same period of 2010. This increase is in line with the increase in funds under management (due to the higher stock markets and new business) which averaged around £22 billion in the first six months of 2010, but some £28 billion in the first six months of the current year.

2. Unwind of surrender penalties: this relates to the reserving methodology applied to the surrender penalties within the charging structure of the single premium life bonds. At the outset of the life bond we establish a liability net of the outstanding surrender penalty which would apply if the policy were to be encashed.

   As the surrender penalty reduces to zero so the liability to the policyholder is enhanced by increasing their funds by 1% per annum over the first six years of the product life, to correspond to this 'unwind' of the surrender penalty. In other words there is a cost which offsets the annual management fee above.

   Like the net annual management fee, the unwind of surrender penalties has increased due to the higher stock markets and the new funds under management added during the period. However, the increase has been partly offset by the fact that the funds under management added six years ago have completed their surrender penalty period.

3. Margin arising from new business: this is the cash flow arising in the year after taking into account the directly attributable expenses

   In prior years there has been a negative margin on new business which represented the upfront net cash outflow from a certain category of pension new business where we are unable to apply surrender penalties. Following an increase, in April 2010, of the age at which an individual can take their pension from 50 to 55, the amount of business where a negative margin arises has reduced considerably. In addition, at the start of 2011 the initial remuneration received by the Partners for unit linked bond sales has reduced which means there is now a small positive margin on the sale of these products.

4. Establishment expenses: these are the post-tax expenses of running the Group's infrastructure as shown in the table on page 26, but shown as post-tax rather than pre-tax numbers.

   After two years of keeping establishment expenses flat, there has been an increase in the current year.

5. Development costs represent the expenditure associated with the ongoing development in our investment proposition together with the costs associated with advancing the Partnership towards full diploma status over the next couple of years.

6. FSA/ FSCS Fees: this relates to the fees payable to the FSA and the FSCS for the year.

7. Shareholder interest arising from regulated and non-regulated business: this is the assumed income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.

   The interest received is marginally higher than the first six months of 2010 reflecting the higher level of interest earning assets in the current period.

8. Miscellaneous: this represents the cash flow of the business not covered in any of the other categories. It will include miscellaneous product charges, reserving changes, experience variances and the income and expenses included within the other operations of the business.

   Miscellaneous income for the period was £0.8 million (2010: £3.8 million) and in both years relates to a number of small positive and negative items.

Return on in-force business

As shown in the tables above the return on the in-force business is impacted by the level of the annual management fees, the unwind of the surrender penalties, interest on surplus capital, expenses and miscellaneous.

We started 2011 with funds under management of £27.0 billion and at the half year these were £29.1 billion, with the increase predominantly the result of a net inflow of funds under management of £1.7 billion in the six month period. If, for example, there is a similar net inflow in the second half of the year then, ignoring the effect of stock market movements, funds under management would end the year around £30.8 billion. This would result in average funds under management for 2011 being some £28.9 billion – some 19% higher than the same figure for 2010.

In addition a proportion of the new business has a surrender penalty which unwinds during the first six years, meaning that this business is cash neutral during this period and therefore does not contribute to the cash result until year seven. The table below provides an estimated breakdown of the single premium business over the last six years where these surrender penalties apply and therefore the funds under management are not yet generating income within the cash result.

Year	**With surrender penalties** **£' Billion**
2005	0.4
2006	1.3
2007	1.6
2008	1.4
2009	1.6
2010	2.1
2011	1.1
Total	9.5

The total business within its first six years and not yet contributing to the cash result is £9.5 billion* or just under a third of the total funds under management at 30 June 2011. When this business reaches the end of the surrender period the cash result will increase. As guidance, if all the business was now at this level of maturity then the annual post-tax cash result (based on 0.7% post-tax earnings from funds under management) would be some £66.3 million higher*.

*ignores stock market movements and existing and future outflows since the date of original client investment

The Board therefore expect the cash earnings from the in-force business to increase as funds under management grow and the business matures.

Return on investment in new business

As noted in the table on page 11, £34.0 million (2010: £33.9 million) of the cash arising from the in-force business has been re-invested in acquiring the new business during the six month period.

This investment in the new business is expected to generate cash earnings in the future that will significantly exceed the cost of investment and therefore provide positive returns for shareholders. The table below provides details of the new business added during the reporting periods and different measures of valuing the investment:

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
Post tax investment in new business (£'Million)	(34.0)	(33.9)	(61.4)
Post-tax present value of expected profit from investment (£'Million)	96.9	74.7	161.3
Gross inflow of funds under management (£'Billion)	2.7	2.3	4.7
Investment as % of gross inflow*	1.3%	1.5%	1.3%
New business margin (% of APE)	38.1%	34.5%	37.4%
Cash payback period (years)	4	5	5
Internal rate of return (net of tax)	23.6%	20.5%	19.6%

* The investment as a % of net inflow of funds under management was 2.0% compared with 2.3% for the comparative period and 2.0% for the complete year.

The cost of this re-investment to acquire new business has not increased with the increase in new business and net inflow of funds under management, and going forward it is not expected to increase significantly. Therefore the proportion of cash generated from the in-force business available to pay dividends to shareholders will expand.

Capital position

The capital position of the Group, assessing net assets on a regulatory basis ("solvency net assets") and required capital on an entity basis, together with a categorisation of the net assets, is shown in the table below.

It will be noted that the regulated entities continue to remain well capitalised over their solvency requirement and that the assets are prudently managed – being predominantly in cash, AAA money market funds and government backed securities.

Comparison with previous valuations would show that the Group solvency position has remained stable despite the recent market uncertainty, reflecting the low risk appetite for market, credit and liquidity risks in relation to solvency.

	Life	Other Regulated	Other	Total
	£'Million	£'Million	£'Million	£'Million
Solvency position				
Solvency net assets	145.6	25.2	143.7	314.5
Solvency requirement	42.2	11.9		
Solvency ratio	345%	212%		
Analysis of solvency net assets				
UK government gilts	62.5	-	-	62.5
AAA rated money market funds	152.3	42.9	31.4	226.6
Bank balances	49.9	41.8	34.5	126.2
Liquid assets	264.7	84.7	65.9	415.3
Fixed assets	-	-	5.8	5.8
Actuarial reserves	(48.4)	-	-	(48.4)
Other assets and liabilities	(70.7)	(59.5)	72.0	(58.2)
Solvency net assets	145.6	25.2	143.7	314.5
Reconciliation to IFRS net assets				
Solvency net assets				
- Purchased VIF	35.7	-	-	35.7
- DAC and DIR	217.1	(20.1)	-	197.0
- Other	78.7	-	-	78.7
Total IFRS net assets	477.1	5.1	143.7	625.9

Analysis of liquid assets

As noted in the table above the group has liquid assets of £415.3 million and these amounts are held in Government backed debt, AAA rated money market funds and bank deposits. A further analysis of the holdings is provided below.

Holding Name	£'Million	£'Million
UK government gilts		
2.5% UK Treasury Index Linked 26/07/2016	11.7	
2.5% UK Treasury Index Linked 17/07/2024	15.7	
2% UK Treasury Index Linked 26/01/2035	18.8	
4.25% UK Treasury 07/12/2055	3.7	
3.5% War Loan	12.6	62.5
AAA rated money market funds		
BlackRock	43.0	
HSBC	45.0	
Insight	57.7	
Invesco AIM	31.0	
RBS	49.9	226.6
Bank balances		
Barclays	28.1	
BNP Paribas	7.0	
HSBC	29.3	
LBG / Bank of Scotland	39.6	
RBS / NatWest	21.4	
Others	0.8	126.2
		415.3

Solvency II

We continue to prepare for the adoption of the EU Solvency II requirements. Whilst it is looking increasingly likely that the implementation date will be revised to 1 January 2014, we will continue to aim to complete the requirements by the end of 2012.

As commented on in the 2010 full year Financial Commentary, the results from Quantitative Impact Study 5 confirmed that, based on the proposed rules, the Group will not be adversely impacted by these new requirements and might expect to see a reduction in the solvency capital we are currently required to hold.

Share options maturity

In addition to the strong solvency, the Company has share options outstanding under the various share option schemes at 30 June 2011 which if exercised, will provide a significant source, up to £53.7 million (2010: £64.9 million), of future capital for the Company.

Earliest date of exercise	Average exercise price	Number of Share options outstanding	Potential Proceeds
	£'s	Million	£' Million
Prior to 1 July 2011	2.40	20.9	50.1
Jul – Dec 2011		-	-
Jan – Jun 2012	1.50	1.4	2.2
July – Dec 2012		-	-
Jan – Jun 2013	2.04	0.3	0.6
July – Dec 2013		-	-
Jan – Jun 2014	2.42	0.3	0.8
		22.9	53.7

There are also 2.6 million options outstanding under the Partner performance share plan exercisable at the 15p nominal share price, which could result in a further £0.4 million of proceeds by the end of 2012.

Of those options with an earliest date of exercise prior to 1 July 2011, 0.2 million options require further performance conditions to be met before vesting unconditionally.

SECTION 4: OTHER MATTERS

The final section of my commentary covers a number of additional areas that will be of interest to shareholders.

Expenses

The table below provides a breakdown of the pre-tax expenditure for the combined financial services activities.

	Note	**6 Months Ended 30 June 2011**	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
		£' Million	£' Million	£' Million
Paid from policy margins				
Partner remuneration	1	136.0	116.1	247.9
Investment expenses	1	48.1	44.3	87.7
Third party administration	1	16.0	16.0	33.4
		200.1	176.4	369.0
Direct expenses				
Other new business related costs	2	27.6	23.2	49.5
Establishment costs	3	47.6	45.6	89.8
Development costs	4	2.9	2.9	5.7
FSA/FSCS levy	5	3.4	2.6	10.3
Contribution from third party product sales	6	(5.2)	(6.5)	(13.8)
		76.3	67.8	141.5
		276.4	244.2	510.5

In the full year 2010 Financial Commentary I said that after two years of reductions in establishment expenses we expected these to grow by c.5% in 2011 which included the impact of higher VAT and employers National Insurance. At the half year the establishment expense growth, at 4.4%, is slightly lower than the previous guidance. However, we continue to see the full year number increasing by c.5%.

Notes

1. These costs are met from corresponding policy margins and any variation in them from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Company.

2. The other new business related costs, such as sales force incentivisation, vary with the level of sales – determined on our internal measure. As production rises or falls these costs will move in the corresponding direction.

3. Establishment costs are the running costs of the Group's infrastructure and are relatively fixed in nature in the short term although subject to inflationary increases. These costs will increase as the infrastructure expands to manage the higher number of existing clients and the growth in the Partnership. During the first half of the year £0.8 million of software development costs have been capitalised as an intangible asset in accordance with IAS 38. This asset will be amortised over the following four years.

4. Development costs represent the expenditure associated with a significant development in our investment proposition together with the costs associated with advancing the Partnership towards full diploma status over the next couple of years.

5. FSA / FSCS fees are those costs in relation to the FSA and our contribution to the Financial Services Compensation Scheme.

6. Contribution from third party product sales reflects the net income received from wealth management sales of £1.6 million (2010: £2.0 million), sales of stakeholder products of £0.5 million (2010: £0.7 million) and sales through the Protection Panel of £3.1 million (2010: £3.8 million).

Movement in funds under management

The table below shows the movement in the funds under management of the Group during the reporting period.

	***6 Months Ended 30 June 2011**	*6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£' Billion	£' Billion	£'Billion
Opening funds under management	27.0	21.4	21.4
New money invested	2.7	2.3	4.7
Investment return	0.4	(0.5)	2.6
	30.1	23.2	28.7
Regular withdrawals / maturities	(0.3)	(0.2)	(0.5)
Surrenders / part surrenders	(0.7)	(0.6)	(1.2)
Closing funds under management	29.1	22.4	27.0
Implied surrender rate as % of average funds under management	5.0%	5.5%	5.0%
Net inflow of funds	1.7	1.5	3.0
Net inflow as % of opening funds under management	6.3%	7.0%	14.0%

* Annualised figures

Shareholders will be pleased to note the strong retention of funds under management which, together with the level of new money invested, provides for net fund inflow of £1.7 billion, 13% higher than the £1.5 billion for the same period last year. Noted below is an explanation of regular withdrawals, maturities and surrenders.

This net inflow represents 6.3% (2010: 7.0%) of opening funds under management and can be viewed as the organic growth in funds.

The regular withdrawals represent those amounts, selected by clients at the plan outset, which are paid out by way of periodic income. The withdrawals have been assumed in the calculation of the embedded value new business profit.

Maturities are those sums paid out where the plan has reached the selected maturity date (e.g. retirement date). The expected maturities have been assumed in the calculation of the embedded value new business profit.

Surrenders and part surrenders are those amounts where clients have chosen to withdraw money from their plan. Surrenders are assumed to occur in the calculation of the embedded value new business profit based on actual experience, updated on an annual basis, by plan duration and the age of the client.

The implied surrender rate shown in the table above is very much a simple average and it should not be assumed that small movements in this rate will result in a change to the embedded value assumptions.

Related party transactions

The relate party transactions during the first six month period are set out in Note 14 to the condensed half year statements.

Concluding remarks

As I commented in the opening remarks of this commentary the performance of the business in the first half of the year has been strong, particularly given the fragile economic environment and volatile stock markets.

Andrew Croft
27 July 2011

INTERIM MANAGEMENT REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

A comprehensive review of the principal risks and uncertainties facing the business, and the Group's approach to managing these risks and uncertainties, are outlined on pages 24 to 30 of the 2010 Annual Report under the Risk and Risk Management section. These principal risks and uncertainties have not changed materially since the 2010 Annual Report. A summary of those principal key risks and uncertainties which could impact the Group for the remainder of the current financial year are outlined below.

Risk/uncertainty	**Description**
Distribution capability	The Group's distribution strength is eroded due to an inability to recruit and retain Partners of the appropriate quality.
Investment management approach	Our approach to investment management fails to deliver expected returns to clients of the Group.
Outsourcing	The Group's dependence on outsourcing comes under threat because any of its key investment management or administration business partners decide to exit the market, significantly revise their strategy or fail.
Competitor activity	A major and successful new entrant to the adviser-based wealth management market has an impact on the success of SJP's business.
Shareholder funds	The value of shareholders' funds decrease, thereby reducing the capital available to support the business.
Advice	Advice given by an individual Partner or authorised by the Group is deemed unsuitable leading to regulatory censure, redress costs and potential reputational damage.
Retail distribution review	Changes arising from the Retail Distribution Review, particularly in relation to professionalism and adviser charging, adversely impacts the Group.
Regulatory, legislative and tax environment	Changes in the wider regulatory environment, supervisory approach or legislative and tax environments has an adverse impact on the Group's business.

EUROPEAN EMBEDDED VALUE (EEV) BASIS

The following information shows the result for the Group adopting a European Embedded Value (EEV) basis for reporting the results of its wholly owned life and unit trust businesses.

CONSOLIDATED STATEMENT OF INCOME

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£' Million	£' Million
Life business	139.9	117.7	256.8
Unit Trust business	51.9	44.0	81.7
Distribution business	-	5.9	5.8
Other	(8.2)	(5.5)	(11.7)
Operating profit	183.6	162.1	332.6
Investment return variances	0.9	(84.5)	117.6
Economic assumption changes	(1.9)	9.4	4.8
EEV profit on ordinary activities before tax	182.6	87.0	455.0
Tax			
Life business	(32.1)	(16.3)	(87.9)
Unit Trust business	(13.8)	(6.8)	(31.8)
Distribution business	(0.1)	(1.7)	(1.8)
Other	2.6	0.9	1.4
Corporation tax rate change	17.8	-	17.7
	(25.6)	(23.9)	(102.4)
EEV profit on ordinary activities after tax	157.0	63.1	352.6
Dividends	19.4	12.8	22.6
	Pence	Pence	Pence
Basic earnings per share	32.4	13.1	73.2
Diluted earnings per share	31.6	12.9	71.9
Operating profit basic earnings per share	28.9	24.9	50.7
Operating profit diluted earnings per share	28.2	24.4	49.8

EUROPEAN EMBEDDED VALUE (EEV) BASIS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£' Million	£' Million	£' Million
Opening equity shareholders' funds on an EEV basis	1,715.5	1,371.4	1,371.4
Post-tax profit for the period	157.0	63.1	352.6
Issue of share capital	9.0	6.1	8.2
Dividends paid	(19.4)	(12.8)	(22.6)
Retained earnings credit in respect of share option charges	5.9	4.9	8.2
Retained earnings credit in respect of proceeds from exercise of share options of shares held in trust	-	-	0.1
Consideration paid for own shares	(3.5)	(2.4)	(2.4)
Closing equity shareholders' funds on an EEV basis	1,864.5	1,430.3	1,715.5

EUROPEAN EMBEDDED VALUE (EEV) BASIS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2011	30 June 2010	31 December 2010
	£' Million	£' Million	£' Million
Assets			
Intangible assets			
- Deferred acquisition costs	816.1	696.5	755.7
- Value of long-term business in-force			
- Long-term insurance	956.1	673.8	877.2
- Unit trusts	318.2	230.0	288.7
- Computer software	3.7	-	2.1
	2,094.1	1,600.3	1,923.7
Property and equipment	5.8	8.8	7.7
Deferred tax assets	166.7	215.3	158.2
Investment property	464.0	397.0	397.8
Investments	23,084.9	16,862.9	21,336.8
Reinsurance assets	38.2	39.0	38.6
Insurance and investment contract receivables	36.4	20.7	14.2
Income tax assets	14.2	16.2	37.0
Other receivables	515.6	419.4	547.1
Cash and cash equivalents	2,306.5	2,089.4	2,042.0
Total assets	28,726.4	21,669.0	26,503.1
Liabilities			
Insurance contract liability provisions	417.8	381.1	417.9
Other provisions	3.5	5.6	3.6
Financial liabilities	22,780.2	17,634.0	21,228.2
Deferred tax liabilities	210.2	187.9	210.8
Insurance and investment contract payables	45.5	43.8	44.6
Deferred income	506.4	429.8	469.6
Income tax liabilities	32.7	20.7	34.4
Other payables	396.5	311.1	433.6
Net asset value attributable to unit holders	2,469.1	1,224.7	1,944.9
Total liabilities	26,861.9	20,238.7	24,787.6
Net assets	1,864.5	1,430.3	1,715.5
Shareholders' equity			
Share capital	73.7	72.8	72.9
Share premium	106.3	96.1	98.1
Treasury scheme reserve	(8.5)	(8.2)	(8.2)
Miscellaneous reserves	2.3	2.3	2.3
Retained earnings	1,690.7	1,267.3	1,550.4
Total shareholders' equity	1,864.5	1,430.3	1,715.5
	Pence	Pence	Pence
Net assets per share	379.6	294.9	352.9

NOTES TO THE EEV BASIS RESULTS

I. BASIS OF PREPARATION

The interim supplementary information on pages 31 to 37 shows the Group's results for the six months ended 30 June 2011 as measured on a European Embedded Value (EEV) basis. For interim reporting purposes the disclosure has been reduced from that which would be required under the EEV Principles. The results of the life, pension and investment business, including unit trust business, undertaken by the Group are measured on a basis determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum, a group of chief financial officers from 19 major European insurers, as supplemented by the Additional Guidance on EEV disclosures in October 2005 (together "the EEV Principles"), with the exception of:

- **Corporation Tax Changes**
  Further to the plans announced last year to reduce the rate of corporation tax over four years, the Budget on 23 March 2011 accelerated this, setting out plans to reduce the rate of corporation tax from 26% to 25% for the 2012/2013 tax year, with further 1% reductions planned in each of the following two years. This valuation has been prepared on the basis of the continuation of rates of taxation in place at 30 June 2011.

- **New Business**
  Consistent with prior reporting periods, the value of contractual incremental premiums to existing business is treated as new business in the year of the increment, rather than at the outset of the policy. This approach better reflects the way the Group manages its business.

The treatment of all other transactions and balances is unchanged from the primary financial statements on an IFRS basis.

Under the EEV Methodology, profit is recognised as it is earned over the life of the products within the covered business. The embedded value of the covered business is the sum of the shareholders' net worth in respect of the covered business and the present value of the projected profit stream.

II. METHODOLOGY AND ASSUMPTIONS

The methodology used to derive the European Embedded Values at June 2011 is unchanged from that used at the end of 2010 (and also from that used at June 2010) and is set out in detail on pages 126 and 127 of the 2010 Report and Accounts.

Apart from the assumptions set out below, there have been no changes to assumptions from those used at the end of 2010 and set out in detail on pages 127 and 128 of the 2010 Report and Accounts.

Economic Assumptions

The principal economic assumptions used within the cash flows at 30 June 2011 are set out below.

	30 June 2011	30 June 2010	31 December 2010
Risk free rate	3.5%	3.5%	3.6%
Inflation rate	3.3%	2.9%	3.2%
Risk discount rate (net of tax)	6.6%	6.6%	6.7%
Future investment returns:			
- Gilts	3.5%	3.5%	3.6%
- Equities	6.5%	6.5%	6.6%
- Unit-linked funds:			
- Capital growth	2.9%	2.7%	2.9%
- Dividend income	2.9%	3.1%	3.0%
- Total	5.8%	5.8%	5.9%
Expense inflation	4.0%	3.7%	3.9%

NOTES TO THE EEV BASIS RESULTS (continued)

The risk free rate is set by reference to the yield on ten year gilts. Other investment returns are set by reference to the risk free rate.

The inflation rate is derived from the implicit inflation in the valuation of ten year index-linked gilts. This rate is increased to reflect higher increases in earnings related expenses.

III. COMPONENTS OF LIFE AND UNIT TRUST EEV PROFIT

Life business	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
New business contribution	91.6	70.1	157.9
Profit from existing business			
- Unwind of discount rate	46.6	37.2	74.0
- Experience variances	(0.2)	8.8	24.8
- Operating assumption changes	-	-	(3.4)
Investment income	1.9	1.6	3.5
Operating profit before tax	139.9	117.7	256.8
Investment return variances	(0.4)	(65.5)	84.9
Economic assumption changes	(1.7)	10.3	5.8
Profit before tax	137.8	62.5	347.5
Attributed tax	(32.1)	(16.3)	(87.9)
Corporation tax rate charge	13.9	-	13.8
Profit after tax	119.6	46.2	273.4

New business contribution after tax is £70.2 million (30 June 2010: £52.5 million).

Unit Trust business	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£' Million	£' Million	£' Million
New business contribution	36.1	30.8	59.9
Profit from existing business			
- Unwind of discount rate	12.5	9.6	19.5
- Experience variances	3.0	3.3	1.6
- Operating assumption changes	-	-	-
Investment income	0.3	0.3	0.7
Operating profit before tax	51.9	44.0	81.7
Investment return variances	1.3	(19.0)	32.7
Economic assumption changes	(0.2)	(0.9)	(1.0)
Profit before tax	53.0	24.1	113.4
Attributed tax	(13.8)	(6.8)	(31.8)
Corporation tax rate charge	3.9	-	3.9
Profit after tax	43.1	17.3	85.5

New business contribution after tax is £26.7 million (30 June 2010: £22.2 million).

NOTES TO THE EEV BASIS RESULTS (continued)

Combined Life and Unit Trust business	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£' Million	£' Million	£' Million
New business contribution	127.7	100.9	217.8
Profit from existing business			
- Unwind of discount rate	59.1	46.8	93.5
- Experience variances	2.8	12.1	26.4
- Operating assumption changes	-	-	(3.4)
Investment income	2.2	1.9	4.2
Operating profit before tax	191.8	161.7	338.5
Investment return variances	0.9	(84.5)	117.6
Economic assumption changes	(1.9)	9.4	4.8
Profit before tax	190.8	86.6	460.9
Attributed tax	(45.9)	(23.1)	(119.7)
Corporation tax rate charge	17.8	-	17.7
Profit after tax	162.7	63.5	358.9

New business contribution after tax is £96.9 million (30 June 2010: £74.7 million).

IV. SENSITIVITIES

The table below shows the estimated impact on the combined life and unit trust reported value of new business and EEV to changes in various EEV calculated assumptions. In each case, only the indicated item is varied relative to the restated values.

	Note	Change in new business contribution Pre-tax	Change in new business contribution Post-tax	Change in European Embedded Value Post-tax
		£' Million	£' Million	£' Million
Value at 30 June 2011		127.7	96.9	1,864.5
100bp reduction in risk free rates, with corresponding change in fixed interest asset values	1	(0.4)	(0.3)	8.4
10% reduction in withdrawal rates		12.2	9.3	91.8
10% reduction in expenses		2.8	2.2	23.9
10% reduction in market value of equity assets	2	-	-	(174.0)
5% reduction in mortality and morbidity	3	-	-	0.6
100bp increase in equity expected returns	4	-	-	-
100bp increase in assumed inflation	5	(2.4)	(1.8)	(13.1)

NOTES TO THE EEV BASIS RESULTS (continued)

Note 1: This is the key economic basis change sensitivity. The business model is relatively insensitive to change in economic basis. Note that the sensitivity assumes a corresponding change in all investment returns but no change in inflation.
Note 2: For the purposes of this required sensitivity all unit linked funds are assumed to be invested in equities. The actual mix of assets varies and in recent years the proportion invested directly in UK and overseas equities has exceeded 70%.
Note 3: Assumes the benefit of lower experience is passed on to clients and reassurers at the earliest opportunity.
Note 4: As a market consistent approach is used, equity expected returns only affect the derived discount rates and not the embedded value or contribution to profit from new business.
Note 5: Assumed inflation is set by reference to 10 year index linked gilt yields.

	Change in new business contribution		Change in European Embedded Value
	Pre-tax	Post-tax	Post-tax
	£'Million	£'Million	£'Million
100bp reduction in risk discount rate	17.7	13.5	129.7

Although not directly relevant under a market-consistent valuation where the risk discount rate is a derived disclosure only, this sensitivity shows the level of adjustment which would be required to reflect differing investor views of risk.

V. RECONCILIATION OF IFRS AND EEV PROFIT BEFORE TAX AND NET ASSETS

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
IFRS profit before tax	59.1	28.2	161.9
Movement in life value of in-force	84.9	43.1	197.0
Movement in unit trust value of in-force	38.6	15.7	96.1
Total EEV profit before tax	182.6	87.0	455.0

	30 June 2011	30 June 2010	31 December 2010
	£'Million	£'Million	£'Million
IFRS net assets	625.9	564.0	586.3
Less: acquired value of in-force	(48.3)	(52.1)	(50.2)
Add: deferred tax on acquired value of in-force	12.6	14.6	13.5
Add: life value of in-force	956.1	673.8	877.2
Add: unit trust value of in-force	318.2	230.0	288.7
EEV net assets	1,864.5	1,430.3	1,715.5

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
		£'Million	£'Million	£'Million
Insurance premium income		34.9	36.9	78.5
Less premiums ceded to reinsurers		(14.0)	(13.7)	(28.5)
Net insurance premium income		20.9	23.2	50.0
Fee and commission income		263.0	209.9	455.0
Other investment return		637.1	(269.2)	2,626.7
Other operating income		0.8	0.6	1.4
Net income	3	921.8	(35.5)	3,133.1
Policy claims and benefits				
- Gross amount		(28.3)	(20.7)	(61.2)
- Reinsurers' share		9.9	8.3	20.8
Net policyholder claims and benefits incurred		(18.4)	(12.4)	(40.4)
Change in insurance contract liabilities				
- Gross amount		0.1	7.0	(29.8)
- Reinsurers' share		(0.4)	2.2	1.8
Net change in insurance contract liabilities		(0.3)	9.2	(28.0)
Investment contract benefits		(602.4)	279.4	(2,462.7)
Fees, commission and other acquisition costs		(179.0)	(155.6)	(320.0)
Administration expenses		(60.7)	(54.9)	(116.2)
Other operating expenses		(1.9)	(2.0)	(3.9)
		(241.6)	(212.5)	(440.1)
Profit before tax	3	59.1	28.2	161.9
Tax attributable to policyholders' returns	4	(3.8)	8.1	(77.7)
Profit before tax attributable to shareholders' returns		55.3	36.3	84.2
Total tax credit/(expense)		(11.5)	0.2	(106.9)
Less: tax attributable to policyholders' returns	4	3.8	(8.1)	77.7
Tax attributable to shareholders' returns	4	(7.7)	(7.9)	(29.2)
Profit for the period	3	47.6	28.4	55.0
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the period		47.6	28.4	55.0
		Pence	Pence	Pence
Basic earnings per share	5	9.8	5.9	11.4
Diluted earnings per share	5	9.6	5.8	11.2

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Treasury Shares Reserve	Retained Earnings	Miscellaneous Reserves	Total
	£'Million	£' Million	£' Million	£' Million	£' Million	£' Million
At 31 December 2009	72.3	90.5	(7.7)	382.4	2.3	539.8
Total comprehensive income for the period				28.4		28.4
Dividends paid				(12.8)		(12.8)
Issue of share capital						
- Scrip dividend	0.1	1.8				1.9
- Exercise of options	0.4	3.8				4.2
Consideration paid for own shares			(2.4)			(2.4)
Own shares vesting charge			1.9	(1.9)		-
P&L reserve credit in respect of share option charges				4.9		4.9
At 30 June 2010	72.8	96.1	(8.2)	401.0	2.3	564.0
At 31 December 2010	72.9	98.1	(8.2)	421.2	2.3	586.3
Total comprehensive income for the period				47.6		47.6
Dividends paid				(19.4)		(19.4)
Issue of share capital						
- Scrip dividend	0.2	2.9				3.1
- Exercise of options	0.6	5.3				5.9
Consideration paid for own shares			(3.5)			(3.5)
Own shares vesting charge			3.2	(3.2)		-
P&L reserve credit in respect of share option charges				5.9		5.9
At 30 June 2011	73.7	106.3	(8.5)	452.1	2.3	625.9

Miscellaneous reserves represent other non-distributable reserves.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2011 £'Million	30 June 2010 £'Million	31 December 2010 £'Million
Assets				
Intangible assets				
- Deferred acquisition costs	8	816.1	696.5	755.7
- Acquired value of in-force business		48.3	52.1	50.2
- Computer software		3.7	-	2.1
		868.1	748.6	808.0
Property and equipment		5.8	8.8	7.7
Deferred tax assets	9	166.7	215.3	158.2
Investment property		464.0	397.0	397.8
Investments				
- Equities		17,069.8	12,239.7	15,835.7
- Fixed income securities		3,432.4	2,401.9	2,939.1
- Investment in Collective Investment Schemes		2,567.4	2,186.8	2,558.5
- Derivative Financial Instruments		15.3	34.5	3.5
Reinsurance assets		38.2	39.0	38.6
Insurance and investment contract receivables		36.4	20.7	14.2
Income tax assets		14.2	16.2	37.0
Other receivables		515.6	419.4	547.1
Cash and cash equivalents		2,306.5	2,089.4	2,042.0
Total assets	3	27,500.4	20,817.3	25,387.4
Liabilities				
Insurance contract liabilities		417.8	381.1	417.9
Other provisions	10	3.5	5.6	3.6
Financial liabilities				
- Investment contracts		22,707.2	17,629.5	21,191.9
- Borrowings		30.8	1.5	15.9
- Derivative Financial Instruments		42.2	3.0	20.4
Deferred tax liabilities	11	222.8	202.5	224.3
Insurance and investment contract payables		45.5	43.8	44.6
Deferred income	12	506.4	429.8	469.6
Income tax liabilities		32.7	20.7	34.4
Other payables		396.5	311.1	433.6
Net asset value attributable to unit holders		2,469.1	1,224.7	1,944.9
Total liabilities		26,874.5	20,253.3	24,801.1
Net assets		625.9	564.0	586.3
Shareholders' equity				
Share capital	13	73.7	72.8	72.9
Share premium		106.3	96.1	98.1
Treasury shares reserves		(8.5)	(8.2)	(8.2)
Miscellaneous reserves		2.3	2.3	2.3
Retained earnings		452.1	401.0	421.2
Total shareholders' equity		625.9	564.0	586.3
		Pence	Pence	Pence
Net assets per share		127.4	116.3	120.6

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
Cash flows from operating activities			
Profit before tax for the period	59.1	28.2	161.9
Adjustments for:			
Depreciation	1.4	2.0	3.6
Impairment Losses	0.1	-	0.5
Amortisation of acquired value of in-force business	1.9	2.0	3.9
Fair value gains on non-operating investments	(0.3)	-	-
Share based payment charge	5.9	4.9	8.2
Changes in operating assets and liabilities			
Increase in deferred acquisition costs	(60.4)	(54.1)	(113.3)
(Increase)/decrease in investment property	(66.2)	4.7	3.9
Increase in investments	(1,748.1)	(478.7)	(4,952.6)
Decrease/(increase) reassurance assets	0.4	(2.2)	(1.8)
(Increase)/decrease in insurance and investment contract receivables	(22.2)	(3.3)	3.2
Decrease/(increase) in other receivables	41.1	(207.4)	(357.3)
(Decrease)/increase in insurance contract liability provisions	(0.1)	(7.0)	29.8
(Decrease)/increase in provisions	(0.1)	0.8	(1.2)
Increase in financial liabilities (excluding borrowings)	1,536.4	661.0	4,234.2
Increase in insurance and investment contract payables	0.9	22.3	23.1
Increase in deferred income	36.8	28.7	68.5
(Decrease)/increase in other payables	(37.2)	186.3	291.2
Increase in net assets attributable to unit holders	524.2	223.0	943.2
Cash generated from operations	273.6	411.2	349.0
Income taxes (paid)/received	(9.9)	0.6	5.1
Net cash generated from operating activities	263.7	411.8	354.1
Cash flows from investing activities			
Acquisition of property and equipment	(0.4)	(0.4)	(1.4)
Acquisition of intangible assets	(1.6)	-	(2.1)
Proceeds from sale of plant and equipment	1.2	-	-
Net cash used in investing activities	(0.8)	(0.4)	(3.5)
Cash flows from financing activities			
Proceeds from the issue of share capital	5.8	6.1	6.2
Consideration paid for own shares	(3.5)	(2.4)	(2.4)
Proceeds from exercise of options over shares held in trust	-	-	0.1
Additional/(repayment of) borrowings	14.9	(1.1)	13.3
Dividends paid	(16.3)	(12.8)	(20.6)
Net cash generated/(used in) from financing activities	0.9	(10.2)	(3.4)
Net increase in cash and cash equivalents	263.8	401.2	347.2
Cash and cash equivalents at beginning of period	2,042.0	1,711.1	1,711.1
Effect of exchange rate fluctuations	0.7	(22.9)	(16.3)
Cash and cash equivalents at end of period	2,306.5	2,089.4	2,042.0

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This condensed set of consolidated half year financial statements for the six months ended 30 June 2011, which comprise the half year financial statements of St. James's Place plc (the "Company") and its subsidiaries (together referred to as the "Group"), has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and should be read in conjunction with the full year 2010 Report & Accounts.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Interim Statement on pages 6 and 7. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Commentary on pages 8 to 29.

As shown on page 24 of the Financial Commentary, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the business results in considerable positive cash flows, arising from existing business. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

As required by the Disclosure and Transparency Rules of the Financial Services Authority, this condensed set of financial statements has been prepared applying the accounting policies and standards that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2010. These were prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU and interpretations issued by the International Financial Reporting Interpretations Committee.

The following new and amended standards, which the group have adopted as of 1 January 2011, have not had any material impact on the Group's reported results:

IAS 24	Revised – Related party disclosures
IAS 27	Amendment – Consolidated and separate financial statements
IFRS 7	Amendment – Financial instruments: Disclosures

As at 30 June 2011, the following standards and interpretation, which are relevant to the Group but have not been applied in the financial statements, were in issue but not yet effective:

IAS 12	Amendment – Income taxes
IAS 27	Revised – Separate financial statements
IAS 32	Amendment – Financial instruments: Presentation
IAS 34	Amendment – Interim Financial Reporting
IFRS 9	Financial instruments – Classification and measurement
IFRS 10	Consolidated financial statements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement
IFRIC 17	Distribution of non-cash assets to owners

The adoption of the above standards and interpretation is not expected to have any material impact on the Group's results reported within the financial statements other than requiring additional disclosure or alternative presentation.

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

3. SEGMENT REPORTING

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's reportable segments under IFRS 8 are therefore as follows:

1. Life business – offering pensions, protection and investment products through the Group's life assurance subsidiaries.

2. Unit Trust business – offering unit trust investment products, including ISAs, through the St. James's Place Unit Trust Group.

3. Distribution business – the distribution network for the St. James's Place life and unit trust products as well as financial products such as annuities, mortgages and stakeholder pensions, from third party providers.

4. Other – all other Group activities.

Separate geographical segmental information is not presented since the Group does not segment its business geographically, its customers being based and its assets managed predominantly in the United Kingdom.

The income, profit and assets of these segments are set out below.

Segment Income
Annual Premium Equivalents ("APE")

APE, being regular premiums plus one tenth of single premiums, is the income measure that is monitored on a monthly basis by the chief operating decision maker.

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
Life business	229.3	197.7	405.9
Unit Trust business	81.7	69.3	124.6
Distribution business	24.6	25.6	51.3
Other business	-	-	-
Total APE	**335.6**	**292.6**	**581.8**
Adjustments to IFRS basis			
Life Business			
Exclude investment business APE	(226.9)	(195.3)	(400.7)
Difference between insurance business APE and premium receivable	32.5	34.5	73.3
Less insurance premium income ceded to reinsurers	(14.0)	(13.7)	(28.5)
Fee income (management fees)	201.4	155.3	353.0
Net movement on deferred income	(15.4)	(9.6)	(33.2)
Investment income (primarily in unit linked funds)	613.7	(299.8)	2,428.9
Unit Trust business			
Exclude unit trust APE	(81.7)	(69.3)	(124.6)
Fee income (dealing profit and management fees)	78.5	63.3	128.3
Net movement on deferred income	(21.4)	(19.1)	(35.3)
Investment income	0.2	0.1	0.3
Distribution business			
Exclude distribution APE	(24.6)	(25.6)	(51.3)
Fee and commission income receivable	18.0	18.4	38.8
Other business			
Income receivable	1.9	1.7	3.4
Investment income on third party holdings in consolidated unit trusts	21.5	29.6	195.8
Other investment income	1.7	0.8	1.7
Other operating income	0.8	0.6	1.4
Total adjustments	**586.2**	**(328.1)**	**2,551.3**
Net income	**921.8**	**(35.5)**	**3,133.1**

All revenue is generated by external customers and there are no transactions between operating segments.

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

Segment Profit
European Embedded Value ("EEV") Operating Profit before Tax

EEV Operating Profit before tax is monitored on a monthly basis by the chief operating decision maker. The components of the EEV Operating Profit are included in more detail in the EEV basis results section on pages 31 to 37.

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
Life business	139.9	117.7	256.8
Unit Trust business	51.9	44.0	81.7
Distribution business	-	5.9	5.8
Other business	(8.2)	(5.5)	(11.7)
EEV operating profit before tax	**183.6**	**162.1**	**332.6**
Investment return variance	0.9	(84.5)	117.6
Economic assumption changes	(1.9)	9.4	4.8
EEV profit before tax	182.6	87.0	455.0
Adjustments to IFRS basis			
Movement in life value of in-force	(84.9)	(43.1)	(197.0)
Movement in unit trust value of in-force	(38.6)	(15.7)	(96.1)
IFRS profit before tax	**59.1**	**28.2**	**161.9**

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

Cash result	6 Months Ended 30 June 2011 £'Million	6 Months Ended 30 June 2010 £'Million	12 Months Ended 31 December 2010 £'Million
Life business	17.7	3.9	27.5
Unit Trust business	13.6	8.9	18.3
Distribution business	-	4.2	4.9
Other business	(0.5)	1.7	(2.4)
Cash result after tax	30.8	18.7	48.3
IFRS adjustments (after tax)			
Share option expense	(5.9)	(4.9)	(8.2)
Deferred acquisition costs (DAC)	45.0	54.0	83.6
Deferred income (DIR)	(29.2)	(28.7)	(54.6)
Acquired value of in-force (PVIF)	(1.4)	(1.9)	(2.9)
Sterling reserves	0.3	(1.2)	(6.5)
IFRS tax adjustments	8.0	(7.6)	(4.7)
IFRS profit after tax	47.6	28.4	55.0
Shareholder tax charge	7.7	7.9	29.2
IFRS operating profit before tax	55.3	36.3	84.2
Policyholder tax charge/(credit)	3.8	(8.1)	77.7
IFRS profit before tax	59.1	28.2	161.9

IFRS segment result	6 Months Ended 30 June 2011 £'Million	6 Months Ended 30 June 2010 £'Million	12 Months Ended 31 December 2010 £'Million
Life business			
- shareholder	49.1	27.5	72.8
- policyholder tax gross up	3.8	(8.1)	77.7
Unit Trust business	14.4	8.4	17.3
Distribution business	-	5.9	5.8
Other business	(8.2)	(5.5)	(11.7)
Profit before tax	**59.1**	**28.2**	**161.9**

Included within both the EEV and IFRS profit before tax are the following:

	6 Months Ended 30 June 2011 £'Million	6 Months Ended 30 June 2010 £'Million	12 Months Ended 31 December 2010 £'Million
Interest income	2.1	0.9	3.0
Depreciation	1.4	2.0	3.6

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

Segment Assets
Funds under Management ("FUM")

FUM within the St. James's Place Group are monitored on a monthly basis by the chief operating decision maker.

	30 June 2011	30 June 2010	31 December 2010
	£'Million	£'Million	£'Million
Life business	23,000.0	17,900.0	21,500.0
Unit Trust business	6,100.0	4,500.0	5,500.0
Total FUM	**29,100.0**	**22,400.0**	**27,000.0**
Exclude external holdings in non consolidated unit trusts	(3,657.4)	(3,282.3)	(3,584.8)
Add balance sheet liabilities in unit linked funds	265.2	255.9	268.3
Adjustments for other balance sheet assets excluded from FUM			
DAC	816.1	696.5	755.7
PVIF	48.3	52.1	50.2
Computer software	3.7	-	2.1
Property & equipment	5.8	8.8	7.7
Deferred tax assets	166.7	215.3	158.2
Fixed income securities	62.4	54.8	60.7
Collective investment schemes	227.3	177.2	240.2
Reinsurance assets	38.2	39.0	38.6
Insurance and investment contract receivables	36.4	20.7	14.2
Income tax assets	14.2	16.2	37.0
Other receivables	226.9	154.3	236.1
Cash and cash equivalents	126.3	56.2	84.7
Other adjustments	20.3	(47.4)	18.5
Total adjustments	**(1,599.6)**	**(1,582.7)**	**(1,612.6)**
Total assets	**27,500.4**	**20,817.3**	**25,387.4**

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

4. INCOME TAXES

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
Policyholder tax			
Overseas withholding tax	9.3	9.9	13.5
Deferred tax on unrelieved expenses			
- Current year credit	(3.4)	(3.7)	(8.6)
Deferred tax on unrealised gains and capital losses in unit linked funds	(9.2)	(17.3)	57.5
UK corporation tax			
- Current year charge	7.8	3.0	13.9
- Adjustment in respect of prior year	(0.7)	-	1.4
Total policyholder tax charge/(credit) for the period	3.8	(8.1)	77.7
Shareholder tax			
UK corporation tax			
- Current year charge	4.8	-	12.0
- Adjustment in respect of prior year	0.1	-	(0.7)
Overseas taxes			
- Current year charge	0.8	0.5	1.5
- Adjustment in respect of prior year	(0.5)	-	-
	5.2	0.5	12.8
Deferred tax on pensions business losses			
- Current year (credit)/charge	-	(2.0)	5.5
- Adjustment in respect of prior year	-	-	0.6
Deferred tax charge on other items			
- Current year charge	3.1	9.4	10.3
- Adjustment in respect of prior year	(0.6)	-	-
Total shareholder tax charge for the period	7.7	7.9	29.2

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

Reconciliation of tax charge	6 Months Ended 30 June 2011 £'Million		6 Months Ended 30 June 2010 £'Million		12 Months Ended 31 December 2010 £'Million	
Profit before tax	59.1		28.2		161.9	
Tax attributable to policyholders' returns*	(3.8)		8.1		(77.7)	
Profit before tax attributable to shareholders' returns	55.3		36.3		84.2	
Shareholder tax charge at corporate tax rate of 26.5% (2010: 28.0%)	14.7	26.5%	10.2	28.0%	23.6	28.0%
Adjustments:						
Tax regime differences						
Difference due to Life Insurance tax regime (deferral of E)	(0.9)		(1.0)		(2.4)	
Difference due to Life Insurance tax regime (Deferred Income Reserve)	1.7		1.6		3.9	
Difference due to overseas subsidiaries	(0.5)		(0.6)		(0.3)	
	0.3	0.5%	-	0.0%	1.2	1.4%
Market related						
Difference due to Life Insurance tax regime (UCG)	-		1.1		2.7	
Difference due to Life Insurance tax regime (Shareholder FII)	(2.5)		(3.9)		(1.7)	
	(2.5)	(4.5%)	(2.8)	(7.7%)	1.0	1.2%
Other						
Difference due to Life Insurance tax regime (Pension losses)	-		-		5.5	
Other	(1.0)		0.5		1.5	
	(1.0)	(1.8%)	0.5	1.4%	7.0	8.3%
Change in tax rate	(3.8)	(6.9%)	-	0.0%	(3.6)	(4.3%)
Shareholder tax charge	7.7	13.9%	7.9	21.8%	29.2	34.7%
Policyholder tax charge	3.8		(8.1)		77.7	
Total tax charge/(credit) for the period	11.5		(0.2)		106.9	

* Profit before tax attributable to policyholder returns is equal to the policyholder tax charge

5. EARNINGS PER SHARE

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	Pence	Pence	Pence
Basic earnings per share	9.8	5.9	11.4
Diluted earnings per share	9.6	5.8	11.2

The calculation of diluted earnings per share is based on the following figures:

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
Earnings			
Profit after tax *(for both basic and diluted EPS)*	47.6	28.4	55.0
Weighted average number of shares			
Weighted average number of ordinary shares in issue *(for basic EPS)*	485.2m	480.3m	481.5m
Adjustments for outstanding share options	11.4m	8.5m	8.9m
Weighted average number of ordinary shares *(for diluted EPS)*	496.6m	488.8m	490.4m

6. DIVIDENDS

The following dividends have been paid by the Company:

	6 Months Ended 30 June 2011	6 Months Ended 30 June 2010	12 Months Ended 31 December 2010
	£'Million	£'Million	£'Million
2009 final dividend – 2.660 pence per ordinary share	-	12.8	12.8
2010 interim dividend – 2.025 pence per ordinary share	-	-	9.8
2010 final dividend – 3.975 pence per ordinary share	19.4	-	-
Total dividends paid	19.4	12.8	22.6

The directors have resolved to pay an interim dividend of 3.2 pence per share (2010: 2.025 pence). This amounts to £15.7 million (2010: £9.8 million) and will be paid on 14 September 2011 to shareholders on the register at 5 August 2011.

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

7. ASSETS HELD TO COVER LINKED LIABILITIES AND THIRD PARTY HOLDINGS IN UNIT TRUSTS

Included within the balance sheet are the following assets and liabilities which represent the net assets held to cover linked liabilities and those attributable to third party holdings in unit trusts (UTMI). The difference between these assets and liabilities and those shown in the consolidated balance sheet represents assets and liabilities held outside the unit-linked funds and the UTMI.

	30 June 2011	30 June 2010	31 December 2010
	£'Million	£'Million	£'Million
Assets			
Investment property	464.0	397.0	397.8
Investments			
- Equities	17,069.8	12,239.7	15,835.7
- Fixed income securities	3,370.0	2,347.1	2,878.4
- Investment in Collective Investment Schemes	2,340.1	2,009.6	2,318.3
- Currency forwards	7.4	34.5	3.5
- Contract for differences	7.9	-	-
Deferred tax asset	-	59.2	-
Other receivables	288.7	265.1	311.0
Cash and cash equivalents	2,180.2	2,033.2	1,957.2
Total assets	25,728.1	19,385.4	23,701.9
Liabilities			
Financial liabilities			
- Currency forwards	31.5	3.0	20.4
- Contract for differences	10.7	-	-
Other payables	223.0	252.9	247.9
Total liabilities	265.2	255.9	268.3
Net assets held to cover linked liabilities	25,462.9	19,129.5	24,433.6

8. DEFERRED ACQUISITION COSTS

	30 June 2011	30 June 2010	31 December 2010
	£'Million	£'Million	£'Million
Life business - insurance DAC	18.8	21.0	19.7
Life business - investment DAC	627.5	535.1	583.5
Unit Trust business - investment DAC	169.8	140.4	152.5
Total deferred acquisition costs	816.1	696.5	755.7

Amortisation of deferred acquisition costs is charged within the fees, commission and other acquisition costs line in the income statement.

9. DEFERRED TAX ASSETS

	30 June 2011 £'Million	30 June 2010 £'Million	31 December 2010 £'Million
Life business - unrelieved expenses	67.7	59.5	64.3
Life business – net capital losses in unit linked funds	-	59.2	-
Life business - pension business	1.9	9.5	1.4
Life business - deferred income	37.2	35.5	37.2
Unit Trust business - deferred income	51.2	44.6	47.4
Other	8.7	7.0	7.9
Total deferred tax assets	166.7	215.3	158.2

10. OTHER PROVISIONS

	30 June 2011 £'Million	30 June 2010 £'Million	31 December 2010 £'Million
At beginning of period	3.6	4.8	4.8
Movement in the period	(0.1)	0.8	(1.2)
At end of period	3.5	5.6	3.6

Other provisions at 30 June 2011 consist of £2.8 million (31 December 2010: £2.9 million) to meet obligations arising as a result of the closure of offices, £0.3 million (31 December 2010: £0.3 million) in respect of the policyholder costs of redress for endowment business and £0.4 million (31 December 2010: £0.4 million) in respect of miscellaneous items.

11. DEFERRED TAX LIABILITIES

	30 June 2011 £'Million	30 June 2010 £'Million	31 December 2010 £'Million
On deferred acquisition costs	201.1	183.4	192.6
On acquired value of in-force business	12.6	14.6	13.5
Within unit-linked funds	6.4	-	15.6
Other	2.7	4.5	2.6
Total deferred tax liabilities	222.8	202.5	224.3

NOTES TO THE IFRS BASIS FINANCIAL STATEMENTS (continued)

12. DEFERRED INCOME

	30 June 2011	30 June 2010	31 December 2010
	£'Million	£'Million	£'Million
Life business	309.5	270.5	294.1
Unit Trust business	196.9	159.3	175.5
Total deferred income	506.4	429.8	469.6

13. SHARE CAPITAL

	Number	Nominal value
		£'Million
At 30 June 2010	484,987,442	72.8
Issue of shares	1,161,744	0.1
At 31 December 2010	486,149,186	72.9
Issue of shares	5,046,430	0.8
At 30 June 2011	491,195,616	73.7

14. RELATED PARTY TRANSACTIONS

The Company and the Group have entered into related party transactions with Lloyds Banking Group plc ("LBG"), various subsidiaries of LBG and the Directors of the Company and the Group. LBG, which owns 60% of the Company's share capital, is the ultimate controlling party of the Group.

Transactions with LBG and LBG group companies

The following transactions were carried out, on an arm's length basis, with LBG and its subsidiaries during the period:

- Commission of £2.2 million (2010: £1.8 million) was receivable in relation to the sale of various products and services offered by LBG companies
- During the year, deposits were placed with LBG companies on normal commercial terms. At 30 June 2011 these deposits amounted to £35.7 million (2010: £53.5 million)
- 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 £82.1 million (2010: £79.2 million)
- Amounts lent by the Bank of Scotland to the Group totalled £0.8 million (2010: £1.5 million)
- Fees of £1,434,000 (2010: £883,600) were payable to Invista Real Estate Investment Management Limited (55% owned by LBG) in respect of investment management services for the property portfolio of the St. James's Place UK life and pension funds. The outstanding balance payable at 30 June 2011 was £803,000 (2010: £324,900)
- Fees of £13,125 (2010: £14,966) were payable to LBG in respect of the services of Non-executive St. James's Place Board Directors
- St. James's Place Board Directors have been included in a directors' and officers' insurance policy negotiated on a Group basis by LBG

Transactions with St. James's Place unit trusts

In respect of the non-consolidated St. James's Place managed unit trusts that are held as investments in the St. James's Place life and pension funds, there was income recognised of £5.9 million (2010: expense £13.5 million) and the total value of transactions with those non-consolidated unit trusts was £165.6 million (2010: £81.4 million). Net management fees receivable from these unit trusts amounted to £31.5 million (2010: £26.6 million). The value of the investment into the non-consolidated unit trusts at 30 June 2011 was £546.6 million (2010: £279.7 million).

15. POST BALANCE SHEET EVENTS

The Government's Budget on 23 March 2011 set out plans to reduce the rate of corporation tax from 26% to 25% for the 2012/2013 tax year. This reduction was "substantively enacted" on 5 July and would have a positive impact on the IFRS post tax result at 30 June 2011 of £3.5 million

On 1 July 2011, Vivian Bazalgette was appointed to the Board of the Company as an independent Non-executive Director.

There have been no other material events subsequent to the end of the interim period that have not been reflected in the interim financial statements.

16. STATUTORY ACCOUNTS

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2010 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies.

The report of the auditors was unqualified and did not include a reference to any matter to which the auditors drew attention to, by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

17. APPROVAL OF HALF YEAR REPORT

These condensed consolidated half year financial statements were approved by the Board of Directors on 27 July 2011.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEAR FINANCIAL REPORT

The Directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The directors of St. James's Place plc are listed in the St. James's Place plc Annual Report for 31 December 2010. A list of current directors is maintained on the St. James's Place plc website: www.sjp.co.uk

By order of the Board:

D Bellamy	**A Croft**
Chief Executive	Finance Director
27 July 2011	27 July 2011

INDEPENDENT REVIEW REPORT BY PRICEWATERHOUSECOOPERS LLP TO ST. JAMES'S PLACE PLC

Introduction

We have been engaged by the company to review:

- the condensed consolidated set of financial statements in the half year report, which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Cash Flows and related notes;

- the European Embedded Value Basis Supplementary Information for the six months ended 30 June 2011 which comprises the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position and the related notes ("the Supplementary Information").

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this half year report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

The directors are responsible for preparing the Supplementary Information in accordance with the EEV basis set out in note I.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated set of financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose.

Our responsibility on the Supplementary Information in the half year report is to express to the Company a conclusion based on our review. This report on the Supplementary Information, including the conclusion, has been prepared for and only for the Company in accordance with our letter of engagement dated 3 June 2011 and for no other purpose.

We do not, in producing this report, 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.

INDEPENDENT REVIEW REPORT BY PRICEWATERHOUSECOOPERS LLP TO ST. JAMES'S PLACE PLC

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

- the condensed consolidated set of financial statements in the half year report is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority; and

- the Supplementary Information in the half year report is not prepared, in all material aspects, in accordance with the EEV basis set out in note I.

PricewaterhouseCoopers LLP
Chartered Accountants
28 July 2011
Bristol

Notes:

- The maintenance and integrity of the St. James's Place plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.