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ST. JAMES'S PLACE CAPITAL PLC

REPORT AND ACCOUNTS

31 DECEMBER 2002



FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Achieved profits basis		
Life business	32.4	78.7
Unit trusts	14.5	26.3
Other	(4.5)	2.5
	<u>42.4</u>	<u>107.5</u>
Core business profit before tax	<u>42.4</u>	<u>107.5</u>
Total (loss) / profit before tax	<u>(4.7)</u>	<u>98.2</u>
Shareholders' funds	<u>544.2</u>	<u>573.5</u>
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Modified statutory solvency basis		
Total loss before tax	<u>(41.2)</u>	<u>(16.8)</u>
Shareholders' funds	<u>192.0</u>	<u>246.8</u>
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New business		
New business (RP & 1/10th SP)	<u>£154.1 million</u>	<u>£199.1 million</u>
New sums assured	<u>£4.6 billion</u>	<u>£4.3 billion</u>
St. James's Place Partnership – number of partners	<u>1,101</u>	<u>1,121</u>
Funds under management	<u>£5.9 billion</u>	<u>£6.3 billion</u>
Wealth management – gross fees received	<u>£11.7 million</u>	<u>£5.0 million</u>

CHAIRMAN'S STATEMENT

2002 was a difficult year for companies in the financial services industry and SJPC was no exception. However, we believe that our business model – essentially, having our own experienced advisers providing a wide range of services to relatively affluent clients – is as sound as ever and will benefit significantly from the regulatory changes known as depolarisation, which are due to come into force at the end of this year.

FINANCIALS

Shareholders will recall the statement we made at the half-year on our change in financial reporting. Full details of this and of the financial results are given in the Financial Commentary, which follows this statement and the notes to the accounts. The Directors remain of the view that the most meaningful measure of the Company's progress is given by the information on Achieved Profits, including unit trusts, shown on pages 77 to 83.

The financial results reflect the difficult trading conditions experienced in 2002 – both the fall in new business referred to later and the state of the stock markets. These conditions together with the one-off losses from our investments in LAHC and Nascent have led to a small loss for the year on an achieved profits basis.

In the context of current concerns about the financial health of some UK life assurance companies, we would like to emphasise that:

SJPC's two wholly owned life assurance companies specialise in unit linked business and have, as a matter of policy, avoided onerous financial guarantees (such as with profits business and guaranteed annuity options) that have led to these concerns; and

It has always been the Group's policy for the life companies' solvency reserves and free assets to be invested exclusively in deposits and fixed interest securities.

ST. JAMES'S PLACE PARTNERSHIP AND NEW BUSINESS

Against the background of the sharp falls in the stock market, new business for the year was down 22% compared to 2001, after allowing for a one-off boost in last year's new business following a change in the tax treatment of pensions contributions.

Sales of the Group's Wealth Management services continued to progress well with sales growing every quarter of the year. Total wealth management fees for the year were £11.7 million (£5.0 million in 2001).

The size of the St. James's Place Partnership decreased by 2% from 1121 to 1101 during the year, reflecting two factors: (1) we recruited fewer advisers than in 2001, as we stuck to our policy of taking on only high-quality advisers at a time when many potential joiners, particularly IFAs, delayed making decisions pending the review of polarisation and (2) we continued our policy of retaining only those Partners who are likely to be profitable in the medium term and the difficult market conditions led to an increase in the number of leavers. However, including those retiring, the Partners who left in 2002 accounted for only 4% of the Group's new business in 2001.

The favourable impact of de-polarisation on the Partnership is discussed later in this statement.

INVESTMENT MANAGEMENT

In a previous Chairman's Statement, I described the unique features of the St. James's Place approach to investment management. In view of the pivotal place it will have in the Group's ability to take full advantage of the opportunities created by the forthcoming regulatory changes, it is worth re-stating its features here.

While the Myners Review drew attention a year or so ago to the tendency of investment institutions to shadow the share indices or the funds of other investment institutions (the so-called 'herd instinct') rather than to undertake genuinely active management, the Group decided to adopt a radically different approach. From the start, we did not employ any investment managers of our own and contracted out the investment management of all our funds to external investment management firms. This process has been further refined over the past four years through retaining independent investment consultants, Stamford Associates.

The Investment Committee, with the help of Stamford Associates, *selects* what we regard as the best available managers for our funds and thereafter continually *monitors* the management of those funds. Where we feel it is necessary, we *change* any of the managers and select other managers to take over the running of these funds; since the investor remains invested in the same fund, the change of manager is seamless from the investor's point of view, with no charges or tax consequences.

Our approach offers another important advantage for investors. While providing a wide range of specialised funds to meet differing objectives, we recommend that investors spread their money between our five Managed Funds for life, pension or offshore business. The managers of these funds have been selected not merely on our assessment of their ability and skill but also to ensure a diversity of investment styles so that an investment spread between the five Managed Funds gives investors very wide diversification of risk. This policy of encouraging investors to spread their money amongst five Managed Funds also enables us to select managers who adopt a genuinely active investment approach so as to offer scope for significant added value.

Although managers are selected in the hope that they will remain in place for a long time, our Investment Committee does not hesitate to make a change when, on the advice of Stamford Associates, it loses confidence in one manager and feels that another is likely to do a better job for our investors. We have recently brought in Liontrust as the lead manager for one of our core sets of Managed Funds and have appointed Wellington Management to take over responsibility for our Fixed Interest funds. Bank of Ireland Asset Management have been brought in to handle our European funds.

As a result of the strong emphasis we place on the quality of our investment process, we have avoided the 'flavour-of-the-year' products that have caused problems for other groups over the past few years, such as technology funds, split-capital trusts, derivative-based High Income funds and, more recently, High Yield Corporate Bond funds which depend on non-investment grade holdings.

We believe that, in the current climate, there will inevitably be greater interest in income-based products, where we offer a Corporate Bond fund consisting of high-quality holdings, as well as income-oriented equity funds that have proved significantly more resilient over the past few years.

We are also working on other products that provide diversification of risk.

We have recently announced that medium-sized pension funds can now invest in a range of multi-manager funds through members of the Partnership. Each of these funds is managed by a number of active managers selected and monitored on the advice of Stamford Associates.

Although our funds have inevitably shared the pain inflicted by falling stock markets, most of our funds have continued to produce performance superior to that of our competitors. Investors who spread their money equally between our core Life or Pension Managed Funds when we started business 11 years ago has enjoyed top quartile returns relative to the average performance of competitor funds over the period; an equal investment in our Pension Funds would have come 5th out of 113 funds in the sector (Source: Standard & Poor's Micropal).

Although investment performance should be assessed over the longer term, it is pleasing to note that, once again, most of our funds performed well relative to the competition in the difficult conditions of 2002. In the authoritative CAPS Survey of Pension Funds, three of our five Managed Funds occupied 6th, 7th and 8th place out of the 85 Funds in this Survey for the year 2002. Particular mention should be made of the Pension Managed Fund looked after for us by Taube Hodson Stonex Partners, which was ranked in 1st place over both 5 years and 10 years, as well as 6th over 3 years.

It is also extremely pleasing when our investment performance is recognised independently. The 2003 annual Standard and Poor's Fund Awards was, once again, a successful time for St. James's Place with the St. James's Place Unit Trust Group winning the award for the best smaller unit trust group over both five and ten years. This is the sixth year this particular award has been won since 1992. We were also awarded the best smaller UK pension group over the one year. Other awards received included the THSP Managed Pension Fund, which came first over ten years, and the Far East Life and Pension Funds, which were awarded first place over one and five years respectively.

In addition, five out of our eleven Unit Trusts were ranked by Micropal in the top quartile of their classes, with two more in the second quartile.

PARTNERS AND STAFF

In reviewing the year, it is a great pleasure, on behalf of the Directors, to thank the members of the Partnership and the staff of the Group for their efforts during the year. In a challenging business environment, I am sure shareholders would like to join me in expressing my thanks to both Partners and staff for their continued enthusiasm and dedication. On behalf of the Board, I would also like to thank John Newman and Jim Spowart, who will be leaving the Board at the next Annual General Meeting, for all their efforts for the company over the years. I would also like to welcome Grenville Turner and Ian Gascoigne who joined the Board at the start of the year.

THE FUTURE

While the difficult market conditions have depressed sales and profits, what matters for the future of the company is the soundness of our business model. At the heart of this is the policy of marketing a wide range of products and services through our own team of high-quality advisers, the St. James's Place Partnership. We believe that this approach will benefit significantly from the regulatory changes known as depolarisation due at the end of this year.

In view of the impact these changes will have on the market, it is worth analysing in detail both the regulatory changes and our responses to them.

Polarisation, dating back to regulations introduced in 1988, divides those who give advice on regulated financial products into (1) those who are wholly independent, at least in theory and (2) those who advise on the products of a single group.

From its inception in 1992, the St. James's Place Group decided to distribute its products and services only through its own advisers, as this enabled us to ensure the quality of people presenting our products to the public.

We engage only experienced advisers with a proven track record; the members of the Partnership have an average of 14 years' experience in financial services. This has enabled the Group to build up a reputation for providing a high standard of service, with the added advantage to the company of high productivity and, therefore, cost-efficiency relative to the industry.

We were able to mitigate the restrictions of polarisation by the Group's ground-breaking approach to investment management referred to earlier in this Statement. Instead of limiting our clients to a single team of in-house investment managers, they are able to benefit from our approach of seeking 'best-of-breed' external managers as well as from diversification.

The polarisation regulations do not apply to the new types of services we have introduced over the past two years in the course of expanding into Wealth Management and in each case we have contracted out these services to third-party providers with expertise and experience in the respective fields. Without moving beyond the focus of our own experience, we have been able to bring in facilities such as the St. James's Place telephone-and-internet Bank (based on the Halifax/Intelligent Finance platform); a bespoke General Insurance service through an alliance with a Lloyd's Broker; and our Mortgage Panel where clients' mortgages are placed with the best available provider.

Taking advantage of the exemption of term life and critical illness plans from the polarisation rules, we recently announced the creation of a Protection Panel under which the Partners are able to offer term protection plans from five other leading life offices (Prudential, Norwich Union, Scottish Equitable, Scottish Provident and BUPA), as well as an Annuity Panel which acts as a broker to find the best available annuity for clients introduced by Partners.

The proposed regulations recently announced by the Financial Services Authority will put an end to polarisation, probably with effect from the end of this year. We expect to derive two broad sets of advantages from this deregulation:

- (a) Since experienced advisers wish to provide a comprehensive service to their clients, polarisation made it necessary for us to manufacture a very broad range of regulated products. We will now be able to withdraw from manufacturing classes of product where we do not wish to compete by 'contracting in' products from other manufacturers. This will enable our Partners to provide a complete range of 'best of breed' products in those fields, while continuing to offer a diversified and specialised range of investment products through our approach to investment management described earlier.

We are also working on introducing, through joint venture relationships, accounting, legal services and tax services as well as onshore and offshore trustee services. We believe that these will enable us to make further inroads into the High Net Worth market, including facilities for non-residents with UK links.

Although the Group will benefit from buying in products at a wholesale price, the margins on these products are likely to be lower than on our own manufactured products. However we believe that this will be compensated by attracting a larger volume of business from each client and increasing the productivity of the Partners.

Over the years an increasing number of our Partners have specialised in one class of business or service so that, within each of our Offices throughout the country, there are a number of Partners with a specialised knowledge of each class of business such as investment, inheritance tax planning or pensions. As in the case of a professional practice, the Partners in an Office work together to make the benefit of their respective specialisations available to each other's clients. As we broaden our range of services and move up the income scale, we are taking active steps to increase the range and depth of this specialisation through training and support.

- (b) With the abolition of polarisation in prospect, many IFAs are re-considering their career options and a significant number are likely to go for some form of multi-tie. Unlike the old-established life assurance groups, St. James's Place has nothing to lose from this process, as it has never distributed business through IFAs.

On the contrary, we can expect to be one of the chief beneficiaries of decisions by experienced IFAs to change their status: not only is the St. James's Place Partnership recognised as the highest-quality team of advisers to join, but the new open architecture we will be adopting by contracting-in other companies' products, and the long-established open architecture of our investment approach will make St. James's Place a particularly attractive home for these IFAs.

We also offer a 'practice buy-out' facility on retirement, which addresses the long-established problem that IFAs find it difficult to capitalise their practices on retirement.

It is interesting to note that, at the same time that St. James's Place will be offering best-of-breed product choices through the Partnership, the older companies will be seeking to secure tied distribution to replace the loss of IFA business.

With the advent of depolarisation and the growth in the number of services we contract in from external providers, the ability to pull together information from different sources has become an important element of administration and client service. We are therefore working on the development of technology, which will pull together information from our various providers, both internally within SJPC and externally from outside providers. Initially the system will provide a common front end for processing applications, with the intention in due course to bring together all of a client's holdings throughout the SJPC group in the form of a consolidated wealth statement. Given the strong relationship between the Partners and their clients, there is the potential for Partners to obtain a substantial increase in funds under management from their existing client bases.

The members of the Partnership believe that being with St. James's Place is the best option for them and, very importantly, that it puts them in a position to offer the best service to their clients. As a result, despite the difficult market conditions, the morale of the Partners is high.

We have, in our Partners, what we regard as the best distribution team in the country as well as a wide and increasing range of products and services.

This places us, we believe, in a strong position to benefit from both the changes in regulation that will come into force over the next year and any recovery in markets.

FINAL DIVIDEND

Subject to the approval of shareholders at the Annual General Meeting a final dividend of 1.5p per share will be paid to shareholders on the register on 11 April, making a total of 2.75p for the full year. The proposed dividend payment date is 16 May.



Sir Mark Weinberg
24th February 2003

FINANCIAL COMMENTARY

As mentioned in the Chairman's statement, the results reflect the difficult conditions experienced for stock markets and new business, together with the one-off losses from LAHC and Nascent, which are commented on further below.

In our half-year statement, we pointed out that life assurance differs from most other businesses, in that heavy expenses are incurred at the sale of a product, with the cash flow benefits flowing from it emerging over a long period in the future. This complicates the reporting of life companies' financial results and to overcome this life assurance accounts are usually presented in one of two ways:

- i). the statutory basis (often called the Modified Statutory Solvency Basis (or MSSB)), which primarily highlights the solvency of the life company from the regulators' point of view and takes little account of the likely benefits from future cash flows.
- ii). The Achieved Profits (or embedded value) basis which brings into account the value of those future cash flows.

In the past we – like many quoted groups owning life assurance companies – presented our accounts on an embedded value basis, with the statutory figures shown with the body of the accounts. It has now become established practice to present the accounts themselves on the statutory basis and to show the impact of future profits from in-force business in Supplementary Information on Achieved Profits (which is the version of embedded value recommended by the Association of British Insurers and produces very similar results to the embedded value basis previously used by us). Full details of the changes are given in the various notes to the accounts. In addition we also show the unit trust business on an achieved profit basis.

LIFE AND PENSIONS BUSINESS

MSSB: As a relatively young life assurance group, the MSSB results for SJP's life and pensions business are still showing small losses (as mentioned above MSSB accounting takes little account of the benefits of future cash flows). The 2001 MSSB pre-tax profit reflects the impact of critical illness provisions, (detailed in note 20) which explains why the loss has reduced to £0.1 million. Critical illness claims experience during the year has been broadly in line with that anticipated when the products were priced. We continue to monitor the experience closely.

Achieved Profits: Profits on our life and pensions business fell from £78.7 million pre tax in 2001 to £32.4 million on a pre-tax achieved profits basis. This reflects in part the fall in new business referred to above, but the major element is a £32 million "negative investment variance" caused by the poor stock market performance over the year.

UNIT TRUST BUSINESS

MSSB: Profits from unit trust business were flat in 2002 (£10.3m pre tax profit against £10.4m in 2001). This reflects the fact that the benefit of new inflows of funds were offset by both the fall in new business and the reduction in annual management charges caused by the fall in asset values over the year. In addition £1.2m of VAT recoveries on investment management fees were received during the year.

Achieved profits: Unit trust achieved profits have fallen from £26.3 million pre tax to £14.5 million showing a similar picture to the life and pensions business. Again this reflects a negative investment variance of £12.0m, although it was partially offset by a £4.0m benefit from the removal of VAT on investment management fees.

OTHER

"Other" shows earnings from the core business other than the group's life and unit trust companies. This year shows a loss of £4.5 million pre tax against a profit of £2.5 million pre tax in previous years. The difference is principally accounted for by lower cash balances, and hence lower interest earnings, together with the write-down of shares held by the Group's executive share trust and some one-off property provisions.

ASSOCIATED UNDERTAKINGS AND OTHER INVESTMENTS**LAHC**

We announced in our half year statement that our holding in LAHC would be included in our achieved profit results on an MSSB basis, as this is a non-core investment. The 22.7% holding in LAHC represents only a small part of our operations: the carrying value of £29.2 million (see note 16 for further commentary) represents a net asset value of only some 7p per SJPC share. As announced two weeks ago, earnings from the investment this year have been severely affected by the fall in value of the LAHC's holding in Aberdeen Asset Management shares over the year, an increase in provisions for pension misselling (largely caused by stock market falls) and a reassessment of prior year tax provisions. As a result LAHC's earnings contribution for the year was a loss of £27.7 million (2001 loss of £9.3 million).

Nascent

Reference was made in the half-year statement to difficulties in the Italian market, as a result of which the directors had decided to write down the value of SJPC's 26% interest in the Nascent joint venture in Italy to nil, resulting in a one-off write down of £18 million. Towards the end of the year, a decision was taken by the shareholders to wind up the company, and, after allowing for the cost of the wind-up, this has resulted in a further cost to SJPC of £1.4 million.

PRESIDENT AND BOARD OF DIRECTORS

PRESIDENT

Lord Stevenson of Coddendam CBE

Aged 57, is President of St. James's Place Capital plc. He is also Chairman of HBOS plc and Pearson plc and is a non-executive Director of Manpower Inc. and The Economist Newspapers Limited.

THE PRESENT DIRECTORS OF THE COMPANY ARE:

Sir Mark Weinberg

Aged 71, is Chairman of St. James's Place Capital plc and Life Assurance Holding Corporation Limited. He is a member of the Compliance Committee of the SJPC Board and chairs the Investment and Nomination Committees of the SJPC Board.

He was formerly Deputy Chairman of the Securities and Investments Board, the forerunner to the Financial Services Authority.

The Viscount Weir

Aged 69, was appointed to the Board of the reconstructed SJPC in May 1996. He is the senior independent non-executive Director and is Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees.

Currently Chairman of Balfour Beatty plc, Lord Weir has announced his intention to retire as Chairman with effect from Balfour Beatty's AGM in May 2003. He is also Chairman of C P Ships Limited and a director of Canadian Pacific Railway Limited. He was formerly Chairman of the Weir Group plc and a director of The Bank of England, British Steel Corporation and other companies.

He is Chairman of the Trustees of the St. James's Place Pension Scheme.

Charles Bailey

Aged 68, was appointed to the Board of St. James's Place Capital plc as an independent non-executive Director in September 1999, and is a member of the Remuneration, Audit and Compliance Committees.

Formerly a partner of Price Waterhouse, he is also a director of RIT Capital Partners plc, of Antofagasta Holdings plc, a company with mining, banking and manufacturing interests in Chile and of Atrium Underwriting plc, a listed Integrated Lloyd's Vehicle.

David Bellamy

Aged 49, was appointed to the position of Managing Director on 1 January 2002, having previously fulfilled the role of Group Operations Director. He has worked in the insurance industry since 1973 and joined the Group in April 1991, prior to the launch of J. Rothschild Assurance plc (now called St. James's Place UK plc). He was appointed to the board of J. Rothschild Assurance plc in 1993 and to the Board of St. James's Place Capital plc in September 1997, with specific responsibilities for SJPC's operational facilities.

He is a member of the Compliance Committee of the SJPC Board.

James Crosby

Aged 47, is a non-independent non-executive Director representing HBOS plc, appointed in June 2000. After joining the Halifax in 1994, he was appointed to the Halifax Board in 1996 and became Chief Executive on 1 January 1999. He was appointed as Chief Executive of HBOS plc on 10 September 2001 following the completion of the merger of Halifax and Bank of Scotland on that date. He was a director of J. Rothschild Assurance plc between 1991 and 1994 and is a Fellow of the Faculty of Actuaries. He was recently appointed as a non-executive Director of Granada plc.

Ian Gascoigne

Aged 46, was appointed to the Board of St. James's Place Capital plc as Group Sales Director on 1 January 2003. His specific responsibilities include the recruitment, growth and development of the St. James's Place Partnership. He has worked in the insurance industry since 1986 and joined the then J. Rothschild Assurance group in December 1991. He was appointed to the Board of St. James's Place UK plc (formerly J. Rothschild Assurance plc) in 1997.

Phil Hodgkinson

Aged 44, was appointed to the Board of St. James's Place Capital plc as a non-independent non-executive Director on 21 February 2002 representing HBOS plc and is a member of the Audit Committee of the SJPC Board. He joined the Board of HBOS plc on 24 September 2001 and is Chief Executive of the Insurance and Investment Division. He is a director of Sainsbury's Bank plc and Esure and is also a Fellow of the Institute of Actuaries.

Anthony Loehnis CMG

Aged 67, is a non-independent non-executive Director of St. James's Place Capital plc. He joined the reconstructed Board in May 1996 and is Chairman of the Compliance Committee and a member of the Investment Committee of the SJPC Board.

Directorships external to the Group include Alpha Bank London Limited, Tokyo-Mitsubishi International plc, AGCO Corporation (USA) and he is a Director and Treasurer of the UK-Japan 21st Century Group. Mr Loehnis was formerly a director of SG Warburg Group plc and was an executive director of the Bank of England.

Martin Moule

Aged 47, was appointed Finance Director of St. James's Place Capital plc in December 1998. He has worked in life assurance since the mid 1970s and his experience includes a variety of roles in both the marketing and corporate areas of the life assurance and unit trust industries.

He is a Fellow of the Institute of Actuaries.

Derek Netherton

Aged 58, is an independent non-executive Director of St. James's Place Capital plc, appointed in May 1996. He is Chairman of the Audit Committee and a member of the Remuneration Committee of the SJPC Board. He is a non-executive Director of Life Assurance Holding Corporation Limited.

He is Chairman of Greggs plc and a member of the Supervisory Board of the Schroder Exempt Property Unit Trust. His non-executive directorships outside the Group include Next PLC, Plantation & General Investments plc and Hiscox plc. He is a Fellow of the Institute of Actuaries and was formerly a director of J. Henry Schroder & Co Limited.

Michael Sorkin

Aged 60, was appointed to the Board of St. James's Place Capital plc as an independent non-executive Director in January 2002 and is a member of the Remuneration and Nomination Committees of the SJPC Board. He joined Hambros Bank in 1968 and was a Director of Hambros PLC between 1986 and 1999 and a Managing Director of S G Hambros from 1999 to 2001.

He is Vice Chairman of Investment Banking at N M Rothschild Corporate Finance Limited and a non-executive Director of J Z Equity Partners plc.

Grenville Turner

Aged 45, was appointed on 20 December 2002 as a non-independent non-executive Director of St. James's Place Capital plc, representing HBOS plc. He is Chief Executive of Intelligent Finance, a division of HBOS plc, having formerly fulfilled the role of Head of Intermediary Sales at HBOS plc Retail Division. Other directorships include Halifax Estate Agencies Limited and Centrica Personal Finance Limited.

Mario d'Urso

Aged 63, is an independent non-executive Director of St. James's Place Capital plc, appointed in March 1998. He is President of The Italy Fund Inc. and Mittel Capital Markets S.p.a. He is former Under-Secretary of Foreign Trade of the Dini Government and a former Senator of the Italian Republic.

Mike Wilson

Aged 59, is Chief Executive of St. James's Place Capital plc, Chairman of St. James's Place Unit Trust Group Limited, Founder Director and Chief Executive of St. James's Place UK plc (formerly J. Rothschild Assurance plc) and a member of the Compliance Committee of the SJPC Board.

He has worked in the life assurance industry since 1963 and with Sir Mark Weinberg since 1968 and was formerly Chairman of the Mental Health Foundation.

DIRECTORS' REPORT

The Directors present their Report & Accounts of the Company for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The Company made a loss after taxation on a Modified Statutory Solvency Basis of £44.4 million during the year ended 31 December 2002 (2001: loss of £6.6 million).

An interim dividend of 1.25 pence per share (2001: 1.25 pence per share) was paid on 2 September 2002. The Board recommends payment of a final dividend of 1.5 pence per share (2001: 1.5 pence per share) on 16 May 2003 to shareholders on the register at the close of business on 11 April 2003.

The consolidated profit and loss account on pages 32 and 33 shows the loss for the year and the consolidated balance sheet on pages 35 and 36 shows the state of affairs of the Group at 31 December 2002.

STATUS OF COMPANY

The Company is registered as a public limited company under the Companies Act 1985.

ACTIVITIES

The Company is a financial services holding company with principal interests in wealth management including life assurance and unit trust management. A full review of the activities of the Group is given in the Chairman's Statement on pages 2 to 6.

SUBSTANTIAL SHAREHOLDERS

The Directors are aware of the interests of the following companies in 3% or more of the ordinary issued share capital of the Company as at 21 February 2003:

HBOS plc: 258,308,138 shares (60%)

Fidelity International Limited: 22,108,678 shares (5.14%)

DIRECTORS

The present Directors of the Company are listed on pages 9 to 11. Michael Sorkin and Phil Hodkinson were appointed to the Board on 1 January 2002 and 21 February 2002 respectively and they were both elected by shareholders at the Annual General Meeting in May 2002. Lord Stevenson retired as a non-executive Director on 21 February 2002 and was appointed to the honorary position of President on the same date.

On 20 December 2002 Grenville Turner was appointed to the Board and on 1 January 2003 Ian Gascoigne was appointed to the Board. Pursuant to the Articles of Association, both Directors will retire at the forthcoming Annual General Meeting and offer themselves for re-election.

John Newman resigned as Group Sales Director on 1 January 2003 and Jim Spowart resigned as a non-executive Director on 20 December 2002.

Pursuant to the Articles of Association, all those Directors who were elected or last re-elected at or before the Annual General Meeting held in 2000 shall retire from office by rotation. The Director retiring by rotation is Anthony Loehnis and he will be seeking re-election. Sir Mark Weinberg attained the age of 70 in August 2001 and was re-elected at the Annual General Meeting in 2002. The Board is delighted that Sir Mark has agreed to continue to work for the Group for as long as the Board feels appropriate. As previously indicated, Sir Mark will seek re-election on an annual basis going forward and is therefore seeking re-election at the forthcoming Annual General Meeting. The articles of association of the Company disapply the provisions of s.293(7) of the Companies Act 1985 relating to special notice requirements for the re-election of Directors over the age of 70.

Details of all Directors' service contracts are set out in the Remuneration Report on page 25.

DIRECTORS' INTERESTS

The interests of the Directors in the share capital of the Company and in the share capital of HBOS plc, being the holding company, at 31 December 2002, and any changes between that date and the date of this Report, are given in the Remuneration Report on pages 20 to 29.

Except as stated in the Remuneration Report, no Director has, or has had during the year under review, any beneficial interest in any contract or arrangement with the Company or any of its subsidiaries as defined by the Companies Act 1985 or pursuant to the Listing Rules published by the FSA.

CREDITORS' PAYMENT POLICY

The payment of supplier invoices is made on the Company's behalf by St. James's Place Management Services Limited ("SJPMS"), a subsidiary company. It is SJPMS's policy to pay creditors in accordance with the CBI Better Practice Payment Code on supplier payments. The Company's average number of days purchases outstanding in respect of trade creditors at 31 December 2002 was 27 days (2001: 26 days).

CHARITABLE DONATIONS AND POLITICAL CONTRIBUTIONS

As agreed by shareholders in 2000, the Group pays an amount to the St. James's Place Foundation (a charitable trust) each year which matches donations received during the year by the Foundation on a pound for pound basis, up to a limit determined by the Directors from time to time, currently £500,000. During the year ended 31 December 2002, the Group contributed £498,500 to the St. James's Place Foundation. A list of charitable donations made by the Foundation will be available at the Annual General Meeting, together with a report which outlines the basis on which priorities for donations have been established. The Group made no political donations during the year.

ECONOMIC MONETARY UNION

The Group has put in place the necessary systems to ensure that, to the extent that the euro affects its investments or its policy related business, it can conduct the transactions required.

The Group is currently reviewing its systems to assess the impact of the possible future adoption of the euro by the United Kingdom. The Directors believe that the total financial cost of preparation for the introduction of the euro will not be material to the Group.

SOCIAL, ENVIRONMENTAL AND ETHICAL MATTERS

The Group continues to recognise that it has a corporate responsibility towards the environment and community within which it operates. The Company is proud to be a founder member of the Percent Club and actively supports the St. James's Place Foundation. See pages 85 and 86 for more charitable details on the Foundation and the Group's charitable activities.

The Group's Head office actively supports the local Sun Dial Theatre, which was set up in conjunction with Cirencester College of Higher Education. We also provide financial support for our local rugby club which actively encourages youth participation.

During 2002, the Group set up an Environmental Project Committee with a brief to formulate policy and an environmental management system, to be used as a platform to further control the Group's environmental impacts and associated risks.

The Committee reports through the Managing Director to the Board of Directors where any significant risks are assessed. An operating plan has been prepared to consider individual areas of environmental impact, including reducing CO₂ volumes.

The Group recently opened a new building in Solihull and took the opportunity to implement energy efficient lighting, heating and air conditioning systems, along with a complete recycling system for waste products. At the Head Office in Cirencester a comprehensive paper recycling process has been introduced with the intention of reducing the amount of waste going to landfill sites. Other recycling activities include PCs, mobile phones and toner cartridges donated to local charities.

The Investment Committee of the Board meets regularly to monitor and review the performance of all the funds under management against a series of defined criteria. In addition, for those investors particularly interested in investing in environmentally friendly companies and to comply with policy on socially responsible investment by trustees of occupational pension schemes, the Group offers ethical funds. These funds invest in companies demonstrating sound environmental and social issues.

The Group is also a member of the FTSE4Good Index, designed by the FTSE as an index for organisations showing their responsibility towards socially responsible investment, with the aim of providing a series of benchmarks and tradable indices facilitating investment in companies with good records of corporate social responsibility.

EMPLOYEES

Full details of the number of employees within the Group as at 31 December 2002 and the costs related to those employees are shown in note 11 on page 50.

Employee development has remained a key part of the business plan in order to ensure that the Group's employees remain equipped to perform at the highest levels. This has included completion of a new performance model for members of sales management and the achievement of further professional qualifications by many of our key staff. Looking ahead, the research and implementation planning has been completed for a new performance appraisal system that will be launched in 2003.

Financial involvement in the Group is also a continuing focus. The Group operates an Inland Revenue approved Share Incentive Plan ("SIP") (formerly All Employee Share Option Plan) and an Inland Revenue approved Save As You Earn Scheme which are open to all UK based employees.

Underpinning all of the Group's personnel policies is a well established awareness of statutory and social responsibilities with regard to the employment of disabled staff, whether it be their recruitment or subsequent management. The Group's approach ensures that every effort is made to achieve continuity of employment in the event of employees becoming disabled. Similarly, best practice principles ensure that the Group's responsibilities are met as an equal opportunity employer.

AUDITORS

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



H. J. Gradman

Company Secretary
24 February 2003

CORPORATE GOVERNANCE REPORT

“The Group is committed to achieving high standards of Corporate Governance and to maintaining high levels of integrity and ethical standards in all of its business dealings”.

BOARD OF DIRECTORS

The Board considers that it has complied throughout the financial period with the provisions set out in section one of the Combined Code. The Group has been closely monitoring the progress of the Higgs review and will be carrying out a review of the Group’s corporate governance policies once the revised Combined Code is published.

The Group applies the provisions of the Combined Code through the Board and its Committees, which meet regularly and have ready access to all relevant information required to enable effective, independent decision making. The full Board meets four times a year, with additional meetings arranged on an ad hoc basis as required. Board members are given appropriate documentation for each Board meeting. This will normally include detailed reports on current trading, operational issues (including compliance) and recruitment, as well as papers from the Finance Director and the Appointed Actuary. The Board also receives reports from the Chairmen of the various Committees of the Board.

The executive Directors meet on a monthly basis with other senior executives to consider operational issues as well as business development plans, financial and operating budgets and forecasts, capital expenditure proposals and key performance indicators.

Directors receive training in their duties and responsibilities on appointment as part of an induction process designed to assist them in their understanding of the business. The Directors are regularly updated on corporate governance issues and have access to the advice of the Company Secretary and to independent professional advice where needed in furtherance of their duties. Further training is provided as necessary.

The Board currently consists of 5 executive and 9 non-executive Directors, 5 of whom are considered by the Board to be independent of management and free from any business or other relationships which could materially interfere with the exercise of their judgement. All Directors are required to submit themselves for re-election at regular intervals, and at least every 3 years.

The primary responsibilities of the Board are to:

- determine the overall strategy of the Group;
- ensure that the Group’s operations are well managed and proper succession plans are in place;
- review major transactions or initiatives proposed by the executive directors;
- implement appropriate Corporate Governance procedures;
- periodically review the results and operations of the Group;
- ensure that proper accounting records are maintained and adequate controls are in place to safeguard the assets of the Group from fraud and other significant risks; and
- decide the Group’s policy on charitable and political donations.

To aid the achievement of these objectives, a formal schedule of matters reserved for the Board, or any duly appointed committee, has been drawn up. In addition, during the year a formalised Board Control Manual was introduced, setting out the primary policy and decision-making mechanisms within the Group.

It is the responsibility of the Chairman to ensure the continued effectiveness of the Board of Directors and he liaises with the Chief Executive to make recommendations to the Board on Group strategy. The Chief Executive's primary responsibility is to manage the Group and implement the strategies adopted by the Board.

BOARD COMMITTEES

The Board has formally constituted Audit, Nomination and Remuneration Committees, all of which comply with the provisions of the Combined Code. The Board has also constituted a Compliance Committee to consider regulatory issues affecting the Group.

Details of membership of these Committees can be found on pages 9 to 11.

The Audit Committee, chaired by Derek Netherton, comprises two other independent non-executive Directors (Charles Bailey and Lord Weir) and one non-independent non-executive Director (Phil Hodgkinson) as an appointee of HBOS plc in accordance with the Relationship Agreement.

The Audit Committee examines any matters relating to the financial affairs of the Group, including reviews of the Company's financial accounts and management information, internal control procedures, risk management processes, accounting policies and compliance with accounting standards. The Committee maintains responsibility for ensuring the independent, cost effective and objectivity of the Group's Auditors, and for assessing the continued effectiveness of the Board and its committees. The Committee also approves the internal audit plan for the year and receives reports on, and reviews, the results of such internal audits.

The Remuneration Committee comprises solely non-executive Directors, all of whom are independent. The Committee, chaired by the Viscount Weir, also comprises Charles Bailey, Derek Netherton and Michael Sorkin. It determines all aspects of the executive Directors' remuneration, as well as their terms and conditions of employment. The Remuneration Report is set out on pages 20 to 29.

Sir Mark Weinberg chairs the Nomination Committee which considers appointments to the Board and the independence of any proposed new non-executive Directors. The other members of the Nomination Committee are Viscount Weir and Michael Sorkin.

The Compliance Committee, chaired by Anthony Loehnis, is made up of executive (Sir Mark Weinberg, David Bellamy, Ian Gascoigne and Mike Wilson) and non-executive Directors (Anthony Loehnis and Charles Bailey) to deal explicitly with regulatory risks and issues. The Committee's main responsibilities are:

- reviewing the adequacy and effectiveness of the compliance and regulatory risk policies and procedures of the Group;
- monitoring the results of regulatory visits to the Group;
- making recommendations for changes in regulatory risk related practices or procedures; and
- approving the compliance monitoring plan for the year and receiving reports on, and reviewing the results of, such compliance monitoring activity.

RELATIONSHIP WITH HBOS PLC

A company which has a majority shareholder must be capable at all times of carrying out its business independently of such a shareholder and all transactions and relationships between the company and the controlling shareholder must be at arms length and on a normal commercial basis. To this end, the Company and Halifax Group plc entered into the Relationship Agreement to regulate the relationship between the two companies after the completion of the Partial Offer in June 2000. Following the merger of Halifax and Bank of Scotland on 10 September 2001, the Relationship Agreement was novated to HBOS plc.

The principal purpose of the Relationship Agreement is to ensure that the Company can operate independently of the HBOS group and to provide that the relationship between members of the HBOS group and the SJPC Group will be conducted on an arm's length basis. Under the Agreement, the HBOS group has power to appoint a number of directors to the Board. The number varies in relation to HBOS's shareholding in the company. At present, HBOS has exercised its right to appoint three non-executive directors.

RELATIONSHIPS WITH SHAREHOLDERS

The Board maintains close relationships with institutional shareholders through dialogue and frequent meetings. In addition, there are regular meetings with our brokers, Cazenove and Co Limited and Dresdner Kleinwort Wasserstein, who facilitate meetings with other investors and their representatives.

The Company's Annual General Meeting is held in London where members of the relevant committees of the Board are available to discuss matters arising. Where possible, timing and location of the meeting is designed to encourage the participation of small shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors consider that, in preparing the financial statements on pages 32 to 68, the Group has used appropriate accounting policies, which have been consistently applied and supported by reasonable and prudent judgements and estimates, except as disclosed in note 2 on page 42, and that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

The Guidance issued in December 2001 by the Association of British Insurers entitled "Supplementary Reporting for Long Term Insurance Business (the Achieved Profits Method)" ('the guidance') requires the Directors to prepare supplementary information presented under the Achieved Profits Method in accordance with the guidance.

In preparing the achieved profits supplementary information, the Directors are required to:

- select suitable methodologies and then apply them consistently;
- determine assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then apply them consistently;
- state whether applicable accounting standards have been followed in relation to the residual assets, subject to any material departures disclosed and explained in the supplementary information; and
- prepare the supplementary information on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. This includes financial, operational and compliance controls and risk management. The Audit and Compliance Committees along with an appropriately staffed and qualified Internal Audit function support the Directors in the discharge of these responsibilities.

During the year in question, the company formed the Group Risk Executive, which has the primary objective of ensuring appropriate risk management policies, procedures and processes are in place to optimise business performance, to protect its assets and to meet its regulatory obligations. This group, which consists of senior managers and executives, meets quarterly and reports to the Managing Director.

In establishing the system of internal control, the Directors have regard to materiality of relevant risk, the likelihood of a risk occurring and the cost of mitigating risk. It is therefore designed to manage, rather than eliminate risk and as such can provide only reasonable and not absolute assurance against the risk of material misstatement or loss.

The Directors and senior managers of the Group are committed to maintaining a strong controls culture within all business areas and have established processes for evaluating and managing the significant risks faced by the Group. In particular, the Group's senior management adopts a risk management process that identifies the key vulnerabilities and risks facing each business area and reports, via the Group Risk Executive and internal audit, to the Audit Committee on how these risks and vulnerabilities are being managed. The internal audit function adopts a risk based approach, with their work plans being derived from assessments of the key risks facing the business, adopted as necessary to deal with any emerging issues.

The Group's senior management have clear defined responsibilities and accountabilities for managing specific areas of risk and these are documented in individual job descriptions. These are subject to frequent review to ensure that they remain aligned with business developments and any new or emerging risks.

In addition to these ongoing procedures, the Audit Committee, under instruction of the Board, conduct an annual review that considers the effectiveness of the Group's systems of internal control. This includes the nature and scope of the ongoing monitoring processes, including the internal audit function, and the potential impact on these processes as a result of any changes during the year to the Groups' risk profile.

THE EMERGING REGULATORY ENVIRONMENT

Following recent corporate failures in both the UK and US, coupled with the move towards increased corporate accountability and transparency, it is not surprising to see the continued evolution of the regulatory environment in which we operate. In line with this evolution, SJPC continues to remain committed to achieving high standards of Corporate Governance. In doing so it recognises the need to closely monitor and assess the impact of all regulatory pronouncements, consultative papers and review committees and where appropriate take remedial action to maintain its level of commitment.

LIFE ASSURANCE HOLDING CORPORATION AND NASCENT GROUP SA

As detailed in the Financial Commentary on page 8, the Group has an associated undertaking in Life Assurance Holding Corporation (LAHC) and a non-participating investment in Nascent Group SA (Nascent). Due to the limited nature of these interests, LAHC and Nascent have been specifically excluded from the scope of the Group's system of internal control.

The Group does, however, have representation on both the Board and Audit Committees of LAHC and Nascent. Based on reports submitted to these committees, the Group is not aware

of any issues that would have a material impact upon the Group other than those reported elsewhere.

STATEMENT OF BUSINESS PRACTICE

To further the Group's continued commitment to Corporate Governance, the Company has published a statement of business practice. This statement, in the form of a booklet entitled "Our Approach", is provided to all employees and Partners of the St. James's Place Partnership and covers areas such as:

- the Group's objectives;
- the Group's brand and how its integrity and value is maintained;
- the Group's corporate culture;
- the Group's management style;
- how the Group deals with clients and each other; and
- the Group's commitment to the St. James's Place Foundation, more details of which can be found on page 85.

The booklet emphasises the values of integrity, trust, openness, partnership and teamwork and is designed to guide individual and corporate actions, decisions and standards.

REMUNERATION REPORT

The Directors present their Remuneration Report for the financial year ended 31 December 2002, in accordance with the Directors' Remuneration Report Regulations 2002. Pursuant to the Regulations, the Report will be put to shareholders for approval at the forthcoming AGM. The sections marked with an asterisk ("*") have been subject to audit.

THE REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") determines the remuneration packages of the executive Directors of the Company and St. James's Place UK plc (formerly J. Rothschild Assurance plc), including the overall supervision of the operation of the executive share option and bonus schemes. Determination of the remuneration of the non-executive Directors, within the limits imposed by the Articles of Association, is the responsibility of the Board as a whole.

The Committee comprises The Viscount Weir as Chairman, Derek Netherton, Charles Bailey and Michael Sorkin. The Company Secretary, Hugh Gladman, acts as Secretary to the Committee, providing advice on legal and regulatory issues and the operation of the share option and bonus schemes. At the Committee's request, Committee meetings are also attended by Mike Wilson, the Chief Executive, who makes recommendations to the Committee regarding changes to the remuneration packages of individual directors (excluding himself) or policy generally. Such recommendations are discussed by the Committee and adopted or amended as the Committee sees fit. No Director is present at any part of a meeting of the Committee when his own remuneration or contractual terms are being discussed.

The Committee also has access, as required, to professional advice and market data and this was provided by Monks Partnership, remuneration consultants, in 2002. Monks Partnership were appointed by the Committee and have not provided any other services to the Company. The Committee intends to review its appointment of remuneration consultants in 2003.

REMUNERATION POLICY

The Committee has regard to the principles set out in the Combined Code when setting remuneration policy. Overall, the Committee aims to set executive remuneration at an appropriate level to attract, retain and motivate executives of the necessary calibre.

The focus of the remuneration policy is not primarily on annual salary, but is on incentive plans that are aligned with the delivery of shareholder value. The purpose of incentive plans is to provide a direct link between each individual's remuneration and their performance.

In terms of salary, the Committee aims to model salaries around the median position for companies of similar size in the UK financial services market and elsewhere. The salaries paid to individual directors are then set taking into account the responsibilities and accountabilities of each role, the experience of the relevant individual and his or her marketability and future potential. Fringe benefits are generally in line with other comparable organisations, although the Company does not operate a defined benefit (final salary) pension scheme for Directors.

The Committee supports the view of the Board that annual performance targets for executives should be stretching so as to incentivise above average results in terms of sales growth and other business plan targets. Linked to these targets, the Committee puts in place an annual discretionary bonus scheme, the shape of which is geared to motivate the directors and other senior executives to achieve and, if possible, better those targets. 50% of the benefits under the scheme are paid in cash and a matching amount is used to buy shares in the Company which do not vest to the individual for three years, thus being retentive as well as linking the value of the award to movements in the share price, in line with shareholder interests.

Finally, the Committee has put in place an executive share option scheme for directors and senior executives, with the awards being conditional on the satisfaction of performance targets linked to growth in earnings per share, so as to create further commonality of interests with shareholders.

Further details of all of the above elements of remuneration are set out below.

SALARIES*

Salaries are reviewed annually in January, using data on the salaries and benefits for executives of other life assurance groups and companies in other sectors of a comparable size to the Company.

In January 2003, the Committee increased the salary of Ian Gascoigne, following his recent appointment as Group Sales Director. The salaries of all the other executive Directors remained unchanged.

ANNUAL BONUSES*

In relation to 2002, no annual bonuses were awarded due to the non-satisfaction of the performance targets set by the Committee at the start of the year.

For 2003, as in previous years, the performance targets set by the Committee relate primarily to sales growth, although the achievement of other objectives set out in the business plan (eg: control over expenses) and individual performance will also be taken into account by the Committee when assessing individual awards. The satisfaction of the targets will be assessed by reference to the Company's internal management information systems, which the Committee believes is the most appropriate method, given the internal nature of the performance targets.

No executive Director has a contractual right to receive an award and the performance targets set by the Committee are based on a sliding scale, which is geared to encourage top-end achievement. 50% of any award is payable in cash, with the remaining 50% being paid under the terms of the deferred bonus scheme. The maximum possible award, split between cash and the deferred element, is 120% of salary.

Under the deferred bonus scheme, the deferred element of the annual bonus is used to purchase shares (at market value) in the Company to be held in an employee trust. The shares held in the trust vest to the Director after three years and are not subject to further performance conditions due to the performance targets which apply prior to any entitlement being granted, although entitlement to the award is normally lost if the executive Director ceases to be employed by the Group prior to vesting.

The Committee believe that the deferred bonus scheme is an effective incentive for the executive Directors, whilst at the same time offering strong retentive characteristics going forward, as well as being aligned with shareholder interests due to the value of the award on vesting being dependent on share price performance.

As stated above, no awards under the deferred bonus scheme were made to the executive Directors in respect of 2002. The table below sets out details of awards under the deferred bonus scheme in respect of the 2000 and 2001 financial years.

Director	Balance as at 1 January 2002	Date of Grant	No of shares awarded	Market price as at date of grant	Balance as at 31 December 2002	End of qualifying period
D C Bellamy	23,855	2 Apr 2002	8,108	£2.86	31,963	28 Mar 2004 1 Apr 2005
I Gascoigne	21,686	2 Apr 2002	6,756	£2.86	28,442	28 Mar 2004 01 Apr 2005
M Moule	23,855	2 Apr 2002	8,108	£2.86	31,963	28 Mar 2004 01 Apr 2005
J Newman	27,469	2 Apr 2002	8,558	£2.86	36,027	28 Mar 2004 01 Apr 2005
M Wilson	57,831	2 Apr 2002	18,018	£2.86	75,849	28 Mar 2004 01 Apr 2005

EXECUTIVE SHARE OPTION SCHEME*

Since 1997 the Company has operated a discretionary share option scheme for executive Directors and senior employees under which options are granted at market value, such options normally being first exercisable between 4 and 6 years from date of grant, subject to the achievement of certain individual and/or corporate targets relating to earnings growth. The performance condition which applies to all executive options granted to Directors under the 1997 scheme prior to March 2002 is earnings growth of St. James's Place Wealth Management Group plc and its subsidiaries over a period of three consecutive years of at least RPI plus 5% per annum over the same period.

With the help of remuneration consultants, Monks Partnership, the Committee reviewed the policy for the grant of executive options to the executive Directors in January 2002, taking into account revised guidelines issued by the ABI. The Committee decided to grant options to the executive Directors on an annual basis, starting in March 2002, to the value of 1½ times salary at date of grant, subject to the discretion of the Committee to revise the level of grant, up or down, to reflect Group and/or individual performance and other relevant circumstances.

A resolution was approved at the AGM in 2002 to remove the 4 times salary limit on the value of executive options to subscribe for shares held by an option holder at any one time and replace it with a limit on the value of subscription options granted to an individual in any one year of 2 times salary.

The Committee also amended the performance condition for executive options in January 2002. The new performance condition adopted for executive Director grants from January 2002 is that the earnings per share of the Company and its subsidiaries (excluding interests in Life Assurance Holding Corporation and Nascent Group SA) have increased over a performance period of 3 consecutive years (which may be extended by the Committee to 4 or 5 consecutive years) by a percentage (equal to 5% for each year of the performance period) more than the rate of inflation as measured by the RPI (excluding mortgage interest) over the same period. The Committee considers that the revised condition creates a more demanding expectation of performance for executive Directors than before. Performance will be assessed by reference to the Company's financial results due to the condition being related to growth in earnings.

The Committee reviewed the above policies at its meeting in January 2003 and decided that they continued to be appropriate, believing that the earnings per share condition is sufficiently stretching as well as being visible as a performance condition for both shareholders and managers. Accordingly, the Committee resolved to grant all the executive Directors an option to the value of 1½ times salary following the announcement of the Company's results in February 2003, such options to be granted at market value on date of grant. Details of the options held by the Directors in 2002 under the Company's executive scheme (together with any outstanding options held under the previous scheme operated by St. James's Place Wealth Management Group plc) and any movements during the year are as follows:

Executive Share Option Schemes – options held in 2002

Director	Options held at 1 January 2002	Granted in year	Exercised in year	Options held at 31 December 2002	Exercise Price	Date from which exercisable	Expiry date
David Bellamy	26,250	-	-	26,250	0.57p	20 Oct 2000	20 Oct 2003
	375,000	-	-	375,000	£1.33	1 Jul 2001 to 1 Jul 2003	13 Jul 2007
		131,250	-	131,250	£2.40	23 May 2005	23 May 2012
Anthony Loehnis	41,668	-	-	41,668	£1.57	1 April 2001	18 Dec 2007
Martin Moule	200,000	-	59,955	140,045	£1.49	1 Jan 2002 to 1 Jan 2004	8 Dec 2007
	100,000	-	-	100,000	£2.77½	1 Jan 2003 to 1 Jan 2005	18 Dec 2008
		121,875	-	121,875	£2.40	23 May 2005	23 May 2012
John Newman	375,000	-	-	375,000	£1.33	1 Jul 2001 to 1 Jul 2003	13 Jul 2007
Mike Wilson	450,000	-	-	450,000	£3.52½	11 Dec 2004 to 11 Dec 2005	11 Dec 2010

Notes:

- i) On 19 March 2002, Martin Moule exercised options over 59,955 shares at an exercise price of £1.49 per share. The market price of the shares on 19 March 2002 was £3.05.
- ii) The exercise price corresponds with the market price (as defined in the Scheme rules) on the date on which the options were granted. At 31 December 2002 the mid market price for SJPC shares was £1.29. The range of prices between 1 January 2002 and 31 December 2002 was between £3.50 and £1.21.

ALL-EMPLOYEE SHARE OPTION SCHEMES*

All UK employees of the Group, including the executive Directors, are eligible to enter into a Save As You Earn (SAYE) contract, under which they are able to save up to £250 per month, and at the end of the 3 or 5 year savings period acquire shares in the Company at a price not less than 80 per cent of the market price at the date of the invitation to participate.

Details of the options held under the scheme and the equivalent predecessor scheme in 2002 are as follows:

SAYE Share Option Schemes – options held in 2002

Director	Options held at 1 January 2002	Granted in year	Exercised in year	Options held at 31 December 2002	Exercise Price	Date from which exercisable	Expiry date
David Bellamy	16,121	-	-	16,121	£1.07	1 Sept 2002	1 Mar 2003
		15,913	-	15,913	£1.04	1 Nov 2007	30 Apr 2008
Martin Moule	1,041	-	-	1,041	£1.86	1 Dec 2002	1 Jun 2003
	2,299	-	-	-	£3.37	1 May 2004	1 Nov 2004
		7,307	-	7,307	£1.04	1 Nov 2005	30 Apr 2006
John Newman	16,121	-	-	16,121	£1.07	1 Sept 2002	1 Mar 2003
Mike Wilson	16,121	-	-	16,121	£1.07	1 Sept 2002	1 Mar 2003
		15,913	-	15,913	£1.04	1 Nov 2007	30 Apr 2008

Notes:

- i) On 11 September 2002, Martin Moule cancelled an option granted under the above Scheme on 27 March 2001 to acquire 2,299 ordinary shares of 15p each in SJPC with an exercise price of £3.37.

Shareholders approved the establishment of an Inland Revenue approved Share Incentive Plan (SIP) (formerly known as an All-Employee Share Ownership Plan) at the AGM in 2000. All employees, including the executive Directors, can participate in the SIP, which entitles them to a grant of “free shares” up to a maximum value of £3,000, subject to the attainment by their relevant business unit of pre-set performance targets. No Director became entitled to a grant of shares under the SIP rules in 2002.

PENSIONS AND DEATH IN SERVICE BENEFITS*

Until 30 June 2002, the provision of pension benefits for the executive Directors had generally been made through employer contributions of 15% of base salary to the money purchase section of the Group’s occupational pension scheme. In January 2002, following a review, the Committee decided to increase the employer contribution for Directors who had served at least 10 years with the Group to 17.5% of base salary.

Accordingly, employer contributions of 17.5% of base salary were made to the money purchase section of the Group’s occupational pension scheme for David Bellamy, Ian Gascoigne and Mike Wilson from 1 July 2002.

John Newman’s service agreement provides for a salary supplement equal to 17% of his base salary in lieu of pension contributions by the Company. From 1 August 2002, this salary supplement was increased to 17.5% of salary.

Martin Moule receives a salary supplement equal to 12.5% of his base salary in lieu of pension contributions by the Company.

Sir Mark Weinberg received a salary supplement equal to 12.5% of his base salary in lieu of pension contributions until 30 June 2002, increasing to 17.5% thereafter.

To the extent that pension contributions were restricted by the earnings cap, such shortfalls were paid by way of taxable salary.

The costs of the pension and death in service arrangements for the executive Directors during the year ended 31 December 2002 are shown on page 26.

SERVICE AGREEMENTS

It is the Committee's policy that service agreements should generally terminate on the executive's 60th birthday and should not contain notice periods in excess of one year. The terms and conditions of the Directors' service agreements are reviewed regularly and all service agreements contain an express obligation on the executive to mitigate his loss in the event the agreement is terminated. In addition, the Company reserves the right to pay an amount representing the value of salary and benefits in lieu of any outstanding period of notice.

When considering the size of any proposed termination payment, the Committee would take into account a number of factors including the health, length of service, age and the performance of the relevant executive, including the duty to mitigate his own loss, with a broad aim to avoid rewarding poor performance while dealing fairly with cases where the departure is due to other reasons, for example illness.

Details of the service agreements of the executive Directors are set out below:

Sir Mark Weinberg's service agreement dated 15 May 2002 can be terminated by, inter alia, either party giving the other not less than twelve months written notice. The agreement, which requires Sir Mark Weinberg to devote 50% of his time to the affairs of the Group, provides for an annual salary of £200,000 and benefits in kind, including life assurance, a salary supplement in lieu of pension provision, private health insurance and a company car together with a chauffeur.

Mike Wilson's service agreement dated 15 May 2002 can be terminated, inter alia, by either party giving the other not less than twelve months written notice. The agreement will automatically terminate on 31 December 2005 (or such later date as the parties shall agree) and provides for an annual salary of £450,000 and benefits in kind, including life assurance, participation in the discretionary bonus scheme, pension provision, private health insurance and a company car together with a chauffeur.

David Bellamy's service agreement dated 15 April 2002 can be terminated, inter alia, by either party giving the other not less than twelve months written notice. The agreement will automatically terminate on David Bellamy's 60th birthday and provides for an annual salary of £210,000 and benefits in kind, including life assurance, participation in the discretionary bonus scheme, pension provision, private health insurance and a company car.

John Newman's service agreement is dated 21 October 2002. As announced on 22 October 2002, John Newman resigned from the Board of the Company on 1 January 2003, but will remain a director of St. James's Place UK plc until 30 June 2003, when the agreement automatically terminates. On 30 June 2003 the sum of £100,000 is payable by way of compensation for loss of office and the Committee has agreed that the 36,027 shares held in trust for John Newman under the Deferred Bonus Scheme shall vest to him on such date.

Martin Moule's service agreement dated 15 May 2002 can be terminated, inter alia, by either party giving the other not less than twelve months written notice. The agreement will automatically terminate on Martin Moule's 60th birthday and provides for an annual salary of £195,000 and benefits in kind, including life assurance, participation in the discretionary bonus scheme, a salary supplement in lieu of pension provision, private health insurance and a company car.

Ian Gascoigne's service agreement, which at the date of this report is in the process of being finalised, includes a provision for termination, inter alia, by either party giving the other not less than twelve months written notice. The agreement will automatically terminate on Ian Gascoigne's 60th birthday and provides for an annual salary of £200,000 and benefits in kind, including life assurance, participation in the discretionary bonus scheme, pension provision, private health insurance and a company car.

NON-EXECUTIVE DIRECTORS*

The remuneration of the non-executive Directors is determined by the Board as a whole, within the limits set by the provisions of the Articles of Association. The Board reviewed the fees paid to the non-executive Directors in 2002.

The basic annual fee is £15,000 per annum, which the Board believe to be in line with current market practice. Additional fees are paid in respect of Board Committee or other responsibilities, as agreed by the Board. Set out below are the annual fees currently payable to the non-executive directors:

Director	Fee per annum £	Date of Letter of Appointment	Year of re-election at AGM
Charles Bailey	25,000	15 Mar 1999	2005
James Crosby*	15,000	19 June 2000	2004
Mario d'Urso	25,000	15 Mar 1999	2004
Phil Hodgkinson*	20,000	23 Jan 2002	2005
Anthony Loehnis	37,500	17 Mar 1999	2003
Derek Netherton	40,000	15 Mar 1999	2005
Michael Sorkin	20,000	16 Oct 2001	2005
Grenville Turner*	15,000	3 Dec 2002	2003
The Viscount Weir	27,500	15 Mar 1999	2005

Notes:

- i) Fees to directors marked with * are payable directly to HBOS plc.

The non-executive Directors do not have service contracts or benefits in kind arrangements and do not participate in any of the Group's pension or share option arrangements. The term of the appointment of each non-executive Director (other than the three appointed by HBOS plc pursuant to the Relationship Agreement described more fully on page 16) is for 3 years, terminating on the date on which the non-executive Director is required to retire by rotation at the AGM, at which time the appointment will be reviewed by the Board.

DIRECTORS' REMUNERATION*

Total Directors' remuneration for the year ended 31 December 2002 is shown below, with comparative figures for the year ended 31 December 2001:

	Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
Fees to non-executive Directors	225,730	190,000
Salaries to executive Directors	1,255,000	1,150,000
Bonus to executive Directors	-	237,500
Pension contributions	198,874	189,899
Death in service and other benefits	210,961	173,141
Total	1,890,565	1,940,540

The total emoluments of the highest paid Director in 2002 were £581,677 (2001: £586,185).

The following table, which has been prepared in accordance with regulatory requirements, sets out the elements of Directors' remuneration for the year ended 31 December 2002.

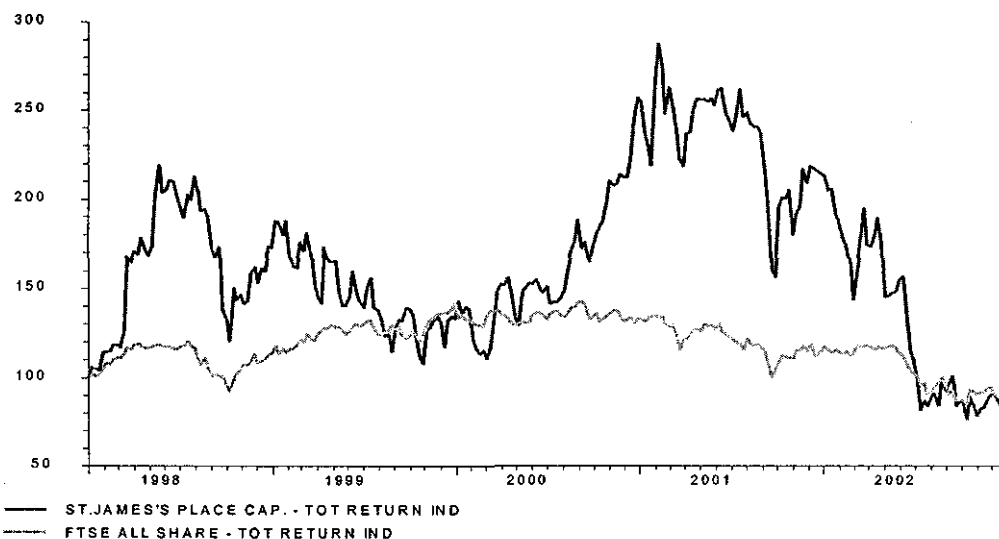
Name	Salaries & Fees £	Bonus £	Deferred Bonus £	Pension £	Death In Service & Other Benefits £	2002 Total Emoluments £	2001 Total Emoluments £
Charles Bailey	25,000	-	-	-	-	25,000	20,000
David Bellamy	210,000	-	-	33,687	28,823	272,510	274,969
Mario d'Urso	25,000	-	-	-	-	25,000	25,000
James Crosby	15,000	-	-	-	-	15,000	15,000
Phil Hodkinson	17,084	-	-	-	-	17,084	-
Anthony Loehnis	37,500	-	-	-	-	37,500	35,000
Martin Moule	195,000	-	-	29,250	30,920	255,170	278,578
Derek Netherton	40,000	-	-	-	-	40,000	35,000
John Newman	200,000	-	-	34,500	42,668	277,168	302,211
Michael Sorkin	20,000	-	-	-	-	20,000	-
Jim Spowart	14,507	-	-	-	-	14,507	15,000
Lord Stevenson of Coddenham	3,646	-	-	-	-	3,646	25,000
Grenville Turner	493	-	-	-	-	493	-
Sir Mark Weinberg	200,000	-	-	29,250	49,060	278,310	308,597
The Viscount Weir	27,500	-	-	-	-	27,500	20,000
Mike Wilson	450,000	-	-	72,187	59,490	581,677	586,185

Notes:

- i) All of the above directors served on the Board of the Company for the whole of the reporting year with the exception of Lord Stevenson of Coddenham, who resigned on 21 February 2002, Phil Hodkinson who was appointed on 21 February 2002, Jim Spowart who resigned on 20 December 2002 and Grenville Turner who was appointed on 20 December 2002.
- ii) Death in service and other benefits comprise the cost of life assurance, entitlement to company car or cash equivalent, fuel, private health care, life and critical illness cover and are generally the amounts which are returned for taxation purposes.
- iii) Pension costs represent the amount contributed to each Director's money purchase arrangement or paid to the Director in lieu of pension contributions.
- iv) The fees in respect of the services of James Crosby, Lord Stevenson of Coddenham (until 21 February 2002), Jim Spowart (until 20 December 2002), Phil Hodkinson (since 21 February 2002) and Grenville Turner (since 20 December 2002) were paid directly to HBOS plc.

PERFORMANCE GRAPH

In accordance with new legislation, this report is required to include a graph of the Company's total shareholder return ("TSR") performance compared to that of a broad equity market index. The Company believes that the most appropriate broad index for comparison is the FTSE Allshare index, given the broad nature of the index and the companies within it. The graph has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and it shows TSR for SJPC and the FTSE Allshare over a five year period.



SHARE INTERESTS*

St. James's Place Capital plc

The interests of the Directors in the share capital of the Company in 2002 are set out below:

Director	31 December 2002 Ordinary Shares of 15 pence each		1 January 2002* Ordinary Shares of 15 pence each	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
Charles Bailey	2,490	-	2,490	-
David Bellamy	411,938	238,100	403,830	238,100
James Crosby	-	-	-	-
Phil Hodgkinson*	-	-	-	-
Mario d'Urso	-	-	-	-
Anthony Loehnis	6,062	-	6,062	-
Martin Moule	57,899	-	31,823	-
Derek Netherton	10,000	-	-	-
John Newman	607,027	63,500	598,469	63,500
Michael Sorkin	-	-	-	-
Grenville Turner*	-	-	-	-
Sir Mark Weinberg	3,233,488	-	3,233,488	-
The Viscount Weir	1,277	-	1,277	-
Mike Wilson	5,075,849	750,000	5,057,831	750,000

* or date of appointment

Notes:

- i) The beneficial interests set out above include deferred bonus scheme awards held in trust for the Directors, details of which are set out on page 21.

Between 31 December 2002 and 24 February 2003 there were no transactions in the Company's shares by Directors.

HBOS plc

The interests of those of the Directors who have interests in the share capital of HBOS plc in 2002 are set out below.

Director	31 December 2002 Ordinary Shares of 25 pence each in HBOS plc	1 January 2002* Ordinary Shares of 25 pence each in HBOS plc
James Crosby	96,962	55,295
Phil Hodgkinson	10,524	197
John Newman	417	417
Grenville Turner*	2,934	2,934
Mike Wilson	1,500	1,500

*or date of appointment

Between 31 December 2002 and 24 February 2003 there have been no transactions in shares of HBOS plc by Directors, with the exception of a PEP reinvestment of 7 shares for James Crosby on 2 January 2003.

Interests in shares held in Trusts

Certain executive Directors and employees are deemed to have an interest or a potential interest as potential discretionary beneficiaries under the SJPC Employees Share Trust. As such, they were treated as at 31 December 2002 as being interested in 1,071,836 ordinary shares of 15p held by S G Hambros Trust Company (Guernsey) Limited, the trustee of that trust.



On behalf of the Board of Directors
The Viscount Weir
24 February 2003
Chairman, Remuneration Committee

**ACCOUNTS ON A
MODIFIED STATUTORY SOLVENCY BASIS**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ST. JAMES'S PLACE CAPITAL PLC

We have audited the financial statements on pages 32 to 68. We have also audited the information in the directors' remuneration report that is described as having been audited.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report and the directors' remuneration report. As described on page 17; this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed. We review whether the statement on pages 15 to 19 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

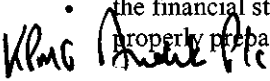
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also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

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

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of the loss of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

24 February 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
LONG-TERM BUSINESS TECHNICAL ACCOUNT**

		Year Ended 31 December 2002	Restated Year Ended 31 December 2001
	Notes	£' Million	£' Million
Earned premiums, net of reinsurance			
Gross premiums written	3	1,038.8	1,308.5
Outwards reinsurance premiums	3	(26.8)	(26.7)
		<u>1,012.0</u>	<u>1,281.8</u>
Investment income	4	31.4	59.7
Other technical income		-	1.5
		<u>1,043.4</u>	<u>1,343.0</u>
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(285.7)	(255.8)
- Reinsurers' share		20.9	19.7
		<u>(264.8)</u>	<u>(236.1)</u>
Change in the provision for claims			
- Gross amount		(2.4)	(0.8)
- Reinsurers' share		4.0	(0.2)
		<u>1.6</u>	<u>(1.0)</u>
	5	<u>(263.2)</u>	<u>(237.1)</u>
Changes in other technical provisions, net of reinsurance			
Long-term business provision			
- Gross amount		6.2	(34.3)
- Reinsurers' share		9.7	15.1
		<u>15.9</u>	<u>(19.2)</u>
Technical provisions for linked liabilities		165.0	(520.2)
Net operating expenses	6	(163.7)	(150.2)
Investment expenses and charges		(15.5)	(17.2)
Unrealised losses on investments		(780.4)	(407.2)
Other technical charges		(6.8)	(1.6)
Tax attributable to the long-term business	7	6.4	(2.4)
		<u>(1,042.3)</u>	<u>(1,355.1)</u>
Balance on the long-term business technical account		<u>1.1</u>	<u>(12.1)</u>

The notes and information on pages 39 to 68 form part of these accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT

	Notes	Year Ended 31 December 2002 £' Million	Restated Year Ended 31 December 2001 £' Million
Balance on the long-term business technical account		1.1	(12.1)
Tax credit attributable to balance on long-term business technical account		(1.0)	(8.3)
Shareholders' profit / (loss) from long-term business		0.1	(20.4)
Investment income			
Income from associated undertaking	16	(27.7)	(9.3)
Income from other investments (<i>includes exceptional charge of £19.4 m</i>)	8	(15.8)	6.2
Investment expenses and charges		(0.3)	(0.6)
Other income			
Income from unit trust operations	9	10.3	10.4
Other income		4.3	3.0
Other charges		(12.1)	(6.1)
Operating loss, being loss on ordinary activities before tax	10	(41.2)	(16.8)
Tax on profit on ordinary activities	7	(3.2)	10.2
Loss on ordinary activities after tax, being loss for the financial year		(44.4)	(6.6)
Dividends	12	(11.8)	(11.8)
Retained loss for the financial year	25	(56.2)	(18.4)
		Pence	Pence
Dividend per share	12	2.75	2.75
Earnings per share	13	(10.4)	(1.5)
Adjusted earnings per share	13	(5.9)	(1.5)

As detailed in note 13, the diluted earnings per share and diluted adjusted earnings per share are equivalent to their undiluted counterparts and have therefore not been shown.

In arriving at operating loss, unless otherwise stated, all amounts are in respect of continuing operations, in both the current and previous year.

In accordance with the amendment to FRS3 published in June 1999, no note of historical cost profits has been prepared as the Group's only material gains and losses on assets relate to the holding and disposal of investments.

The notes and information on pages 39 to 68 form part of these accounts.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year Ended 31 December 2002 <u>£' Million</u>	Restated Year Ended 31 December 2001 <u>£' Million</u>
Loss for the financial period	(44.4)	(6.6)
Share of associated undertaking's total recognised gains and losses	<u>-</u>	<u>19.5</u>
Total recognised gains and losses relating to the period	(44.4)	<u>12.9</u>
Prior year adjustment	<u>(262.8)</u>	
Total recognised gains and losses since the date of the last annual report	<u>(307.2)</u>	

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year Ended 31 December 2002 <u>£' Million</u>	Restated Year Ended 31 December 2001 <u>£' Million</u>
Opening shareholders' funds previously reported	509.6	458.9
Prior year adjustment*	<u>(262.8)</u>	<u>(216.4)</u>
Opening shareholders' funds restated	246.8	242.5
Loss for the financial period	(44.4)	(6.6)
Dividends	<u>(11.8)</u>	<u>(11.8)</u>
Retained loss for the period	(56.2)	(18.4)
Issue of share capital	1.4	3.2
Share of associated undertaking's total recognised gains and losses	<u>-</u>	<u>19.5</u>
Net (decrease) / increase to shareholders' funds	<u>(54.8)</u>	<u>4.3</u>
Closing shareholders' funds	<u>192.0</u>	<u>246.8</u>

*Adjusted for the elimination of internally generated value of in-force business.

The notes and information on pages 39 to 68 form part of these accounts.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

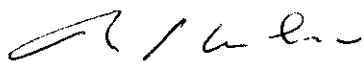
	Notes	2002 £' Million	Restated 2001 £' Million
Assets			
Investments			
Land and buildings	15	1.3	1.3
Investments in associated undertakings	16	29.2	56.9
Other financial investments	17		
Shares and other variable yield securities		3.4	13.8
Debt securities and other fixed income securities		46.0	44.8
Deposits with credit institutions		64.0	65.5
		113.4	124.1
		143.9	182.3
Acquired value of long-term business in force	19	54.0	56.6
Assets held to cover linked liabilities	21	4,631.6	4,796.6
Reinsurers' share of technical provisions			
Long-term business provision		59.8	55.5
Claims outstanding		7.2	3.2
		67.0	58.7
Debtors			
Debtors arising out of direct insurance operations			
- due from policyholders		3.5	5.8
Other debtors		70.2	63.6
		73.7	69.4
Other assets			
Tangible assets	22	7.2	8.5
Cash at bank and in hand		32.7	47.4
		39.9	55.9
Prepayments and accrued income			
Deferred acquisition costs		57.9	55.0
Other prepayments and accrued income		5.3	59.1
		63.2	114.1
Total assets		5,073.3	5,333.6

The notes and information on pages 39 to 68 form part of these accounts.


CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

		2002	Restated 2001
	Notes	£' Million	£' Million
Liabilities			
Capital and reserves			
Called up share capital	23	64.6	64.3
Share premium account	24	4.6	3.4
Shares to be issued	24	0.4	0.5
Other reserves	24	2.2	2.2
Profit and loss account	24	120.2	176.4
Equity shareholders' funds		192.0	246.8
 Technical provisions			
Long-term business provision	20	101.3	107.5
Claims outstanding		15.8	13.4
		117.1	120.9
 Technical provisions for linked liabilities		 4,631.6	 4,796.6
 Provisions for other risks and charges	 26	 16.2	 19.8
 Creditors			
Creditors arising out of direct insurance operations		9.8	3.8
Amounts owed to credit institutions	27	45.0	14.6
Amounts due to reinsurers	20	18.3	23.7
Other creditors including taxation and social security	28	16.4	85.8
Proposed dividends	12	6.4	6.4
		95.9	134.3
 Accruals and deferred income		 20.5	 15.2
 Total liabilities		 5,073.3	 5,333.6

The financial statements on pages 32 to 68 were approved by the Board of Directors on 24 February 2003 and signed on its behalf by:



M.S. Wilson
Chief Executive



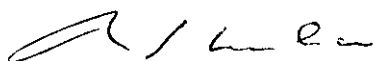
M.D. Moule
Finance Director

The notes and information on pages 39 to 68 form part of these accounts.

BALANCE SHEET OF THE PARENT COMPANY AT 31 DECEMBER

		2002	2001
	Notes	£' Million	£' Million
Fixed Assets			
Investment in subsidiary undertakings	14	311.4	311.4
Current Assets			
Amounts owed by group undertakings		61.8	32.7
Other debtors		0.1	0.3
		61.9	33.0
Creditors: amounts falling due within one year			
Amounts owed to group undertakings		(229.6)	(219.0)
Proposed dividend	12	(6.4)	(6.4)
Other creditors		(0.6)	(0.6)
		(236.6)	(226.0)
Net current liabilities		(174.7)	(193.0)
Total assets less current liabilities		136.7	118.4
Capital and reserves			
Called up share capital	23	64.6	64.3
Share premium account	24	4.6	3.4
Shares to be issued	24	0.4	0.5
Profit and loss account	24	67.1	50.2
Equity shareholders' funds		136.7	118.4

The financial statements on pages 32 to 68 were approved by the Board of Directors on 24 February 2003 and signed on its behalf by:



M.S. Wilson
Chief Executive



M.D. Moule
Finance Director

The notes and information on pages 39 to 68 form part of these accounts.

**CONSOLIDATED CASHFLOW STATEMENT
(EXCLUDING POLICYHOLDER FUNDS)**

	Year Ended 31 December 2002	Year Ended 31 December 2001
Notes	£' Million	£' Million
Shareholders' net cash outflow from long-term business	(20.0)	(20.0)
Other operating cashflows attributable to shareholders	(0.2)	5.4
Net cash outflow from operating activities	30	(14.6)
Interest		
Interest received	3.5	5.2
Interest paid	(0.3)	(0.6)
	3.2	4.6
Taxation		
Corporation tax recovered / (paid)	0.1	(3.6)
Capital expenditure		
Purchase of tangible fixed assets	(3.0)	(5.4)
Sale of fixed assets	0.9	0.7
	(2.1)	(4.7)
Acquisitions and disposals		
Disposal of subsidiary undertaking	-	0.1
Cash disposed of with subsidiary	-	(0.1)
Investment in shares and other variable yield securities	(9.8)	(6.9)
	(9.8)	(6.9)
Equity dividends paid	(11.8)	(10.7)
Net cash outflow before financing	(40.6)	(35.9)
Financing		
Drawdown / (repayment) of loan	45.0	(7.0)
Issue of ordinary share capital	1.4	3.4
	46.4	(3.6)
Net cash inflow / (outflow) in the year	5.8	(39.5)
Net cash inflow/(outflow) was applied as follows:		
Increase / (decrease) in cash holdings	8.1	(15.6)
Net portfolio investments		
Withdrawals from credit institutions	(2.3)	(23.9)
Net investment/(application) of cash flows	5.8	(39.5)

The notes and information on pages 39 to 68 form part of these accounts.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Company and its wholly owned life insurance and non insurance subsidiary undertakings, have been prepared in accordance with the provisions of section 255A of, and the special provisions relating to insurance groups of Schedule 9A to, the Companies Act 1985.

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently except as noted below, and with the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business ("ABI SORP") dated December 1998.

FRS 19 "Deferred tax" and certain transitional elements of FRS17 "Retirement benefits" became effective, and were adopted, during the period. Neither standard has a material impact on the financial statements.

The Company's financial statements have been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985 adopting the exemption conferred by Section 230 of that Act of omitting the profit and loss account.

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 31 December each year. Associated undertakings are companies other than consolidated subsidiary undertakings in which the Group has 20% or more (but less than 50%) of the equity share capital for the long term and over which the Group is in a position to exercise a significant influence. Associated undertakings are accounted for using the equity method of accounting.

Change in accounting policies

The December 2001 financial statements commented that the accounting for insurance groups is in a state of transition. Accordingly, the company has changed its accounting policy to exclude the value of internally generated in-force business from its core business and associated undertaking, and the financial statements have been restated.

This restatement is explained more fully in note 2.

Profit recognition relating to the value of long-term business in force

Following the change in accounting policy, profits emerging on long-term assurance business in-force are determined in accordance with the Modified Statutory Solvency Basis of reporting, which is consistent with the ABI SORP.

Under this method, the statutory result arising in the period, which includes the long-term business provision determined in consultation with the Appointed Actuaries following their annual investigations, is required to be adjusted under the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 for certain items, including the deferral of acquisition costs and movements in certain reserves, which are recognised in the long-term business technical account.

Premiums

Premiums are accounted for when receivable, other than unit-linked premiums, which are credited to revenue when the associated liability is established. Reinsurance premiums are charged as they become payable.

Notes to the Accounts continued

Investment return

Investment return comprises investment income including dividends, interest, realised investment gains and losses, movements in unrealised investment gains and losses and related expenses.

Dividends are included as investment income on the date that shares become quoted ex-dividend. Interest and expenses are included on an accruals basis. Realised investment gains and losses are calculated as the difference between net sales proceeds and the purchase price. Unrealised investment gains and losses represent the difference between the valuation of investments at the balance sheet date and their original cost or, if they have been previously valued, their valuation at the last balance sheet date. Net rental income is recorded when due.

Claims

Claims are charged to revenue when they become due for payment or, in the case of deaths, when notification of death is received. Recoveries from risk reassurances are included in the same period as the relevant claims.

Acquisition costs

Costs of acquiring new insurance contracts principally comprise commission and costs associated with policy issue and underwriting, which are not matched by policy charges. Such costs are deferred and amortised against margins in the future revenues of the insurance contracts, to the extent that the amounts are recoverable out of the margins. This deferred acquisition cost is included as an asset within the balance sheet. Movements in that asset are shown in acquisition expenses.

In all instances the deferred acquisition costs are calculated before tax with an appropriate charge or credit being made for deferred tax.

Investments

Investments held to cover linked long-term assurance liabilities are stated at their current value. Investments comprise listed securities, units in authorised unit trusts and OEICs, deposits and property.

Listed investments are included at mid-market value, units in unit trusts and OEICs are at published bid prices and deposits are included at cost. Land and buildings occupied by the Group for its own activities, which are depreciated over their useful economic lives, are stated at market value on a vacant possession basis for existing use. Unlisted investments are included at Directors' valuation.

Derivative instrument contracts, which comply with regulatory requirements for use within the internal linked funds, are held at market value. Other derivatives held by non-life subsidiaries are valued on an amortised cost basis. All derivatives are used solely for hedging purposes.

All realised and unrealised gains and losses on investments held within the long-term business fund are dealt with in the technical account. Realised and unrealised gains and losses on other investments are included in profit before taxation in the non-technical account.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are valued at cost less any provision for impairment in value.

Notes to the Accounts continued

Goodwill

Prior to 1998, purchased goodwill was eliminated against reserves as a matter of accounting policy, as all such transactions took place before FRS10 became effective on 23 December 1998. As permitted under the transitional arrangements of FRS10, such amounts previously written off to reserves have not been reinstated as an asset, but will be charged to the profit and loss account on disposal of the businesses to which they relate.

Long-term business provision and technical provisions

The long-term business provision is calculated on actuarial principles. The calculation is in accordance with statutory reporting for solvency and uses the gross premium method.

The provisions held for linked liabilities are the unit liabilities together with certain non-unit provisions.

Whilst the directors consider that the gross long-term business provision and the related reinsurance recovery is fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided.

The provision, estimation technique, and assumptions are periodically reviewed with any changes in estimates reflected in the long-term business technical account as they occur.

Present value of acquired long-term business in-force

In accordance with the ABI SORP, the present value of acquired long-term business in-force ("PVIF") is recognised as an additional asset within the consolidated balance sheet.

The value is determined at the date of acquisition is amortised over the anticipated lives of the related contracts in the portfolio. The rate of amortisation is chosen by considering the profile of the in-force business acquired and the expected reduction in its value over time. The carrying value of the amortised PVIF asset is also tested for impairment on an annual basis.

The amortisation charge for the year is charged to the long-term business technical account, included within other technical charges.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental cost of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, over the expected useful economic lives as follows:

On a straight line basis:	% per annum
Computers	33½
Fixtures and fittings	20
Office equipment	20
Motor vehicles	25

Notes to the Accounts continued

Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Pensions

The SJPC Group operates a defined contribution personal pension plan for its employees. The contributions payable to the scheme are recognised within the technical account for the accounting period in which they occur.

The Group also has an occupational scheme with both a defined contribution and a defined benefit section, both of which are closed to new members. Employer contributions on the defined contribution section are recognised within the technical account for the accounting period in which they occur. No employer contributions are made for the defined benefit section.

2. IMPACT OF CHANGE IN ACCOUNTING POLICY

The impact of the restatement to exclude the value of the internally generated in force business and thus present the Group's primary statements in accordance with the ABI SORP is as follows:

	Year Ended 31 December 2001 <hr/> £' Million
Net assets as previously reported	509.6
Value of long-term business in-force previously reported for the SJP Group	(287.9)
Acquired value of long-term business in-force (after amortisation)	56.6
Investment in LAHC	(31.5)
Restated net assets	<hr/> <u>246.8</u>

Notes to the Accounts continued

The post tax profit for the year ended 31 December 2001 differs from that previously reported, due to the change in accounting policy and LAHC (see note 16), as shown below.

	Year Ended 31 December 2001 <hr/> £' Million
Profit on ordinary activities after tax as previously reported	59.2
Movement in internally generated value of long-term business in-force	(66.2)
Movement in investment in participating interest	2.0
Amortisation of acquired value of long-term business in-force	(1.6)
As restated	<hr/> <u>(6.6)</u>

The audited supplementary information presented on pages 69 to 76 discloses the results of the Group's long-term business on an Achieved Profit basis, a methodology similar to the embedded value basis applied in the prior year's financial statements. This shows that, for the current year, the loss after tax would reduce by £22.5 million to a loss of £21.9 million, and net assets would increase by £268.7 million to £460.7 million if the financial statements had been prepared on a basis consistent with the prior year.

Notes to the Accounts continued

3. SEGMENTAL ANALYSIS

An analysis of premiums written, profit and the net assets of the Group's principal activities are set out below:

Premiums written

	Year Ended 31 December 2002	Year Ended 31 December 2001
	£' Million	£' Million
Life business		
Single premiums	581.8	812.1
Regular premiums	101.9	99.3
Reinsurances - Risk	(13.0)	(13.0)
- Financial	-	(4.5)
	670.7	893.9
Pension business		
Single premiums	207.3	245.0
Regular premiums	132.2	140.2
Reinsurances - Risk	(1.4)	(1.5)
	338.1	383.7
Permanent health insurance		
Regular premiums	15.6	11.9
Reinsurances - Risk	(12.4)	(7.7)
	3.2	4.2
	1,012.0	1,281.8
Gross premiums comprise:		
Individual business	904.0	1,254.1
Group contacts	134.8	54.4
	1,038.8	1,308.5
Gross new annualised premiums comprise:		
Life - single premiums	581.8	812.1
Life - regular premiums	14.3	22.9
Pension - single premiums	207.3	245.0
Pension - regular premiums	18.6	36.5
Permanent health	5.4	4.3
	827.4	1,120.8

The insurance business written by the Group relates to only direct insurance that is principally sold in the UK. However, included in the above figures are total new business figures of £0.3 million (2001: £5.0 million) arising from the Group's Italian operation with Nascent, which are fully reassured to Nascent. The Irish life business written was £211.9 million (2001: £348.6 million).

Excluded from the above figures are total new business figures of £13.0 million (2001: £9.1 million) arising from the sales of products, including Stakeholder pensions, through third party providers by St. James's Place Partnership.

Notes to the Accounts continued

Included in the 2001 gross new annualised premiums, is a one-off increase in regular premiums of £5.7 million resulting from policyholders choosing to increase their contributions following a change in tax treatment of self-employed pension plans.

In addition to the new long-term business, the Group issued new single premium unit trust business of £242.3 million (2001: £313.3 million). The total new single premium business including unit trusts was £1,031.4 million (2001: £1,370.4 million).

Loss on ordinary activities

	Year Ended 31 December 2002	Year Ended 31 December 2001
	<u>£' Million</u>	<u>£' Million</u>
St. James's Place Group		
Life business	0.1	(20.4)
Unit trust business	10.3	10.4
Other	(4.5)	2.5
Core business profit/(loss)	<u>5.9</u>	<u>(7.5)</u>
Associated undertakings		
LAHC	(27.7)	(9.3)
Other investments	(19.4)	-
Loss on ordinary activities before taxation	<u>(41.2)</u>	<u>(16.8)</u>
Taxation		
Life business	1.0	8.3
Unit trust business	(3.1)	(3.1)
Other	(1.1)	2.2
LAHC	-	2.8
	<u>(3.2)</u>	<u>10.2</u>
Loss on ordinary activities after taxation	<u>(44.4)</u>	<u>(6.6)</u>

The life loss before tax is analysed as a loss of £5.8 million from the UK life business (2001 loss: £32.9 million) and a profit of £5.9 million from the Irish life business (2001 profit: £12.5 million).

Net assets

	Year Ended 31 December 2002	Year Ended 31 December 2001
	<u>£' Million</u>	<u>£' Million</u>
UK life business	122.8	106.8
Irish life business	27.3	22.2
LAHC (associated undertaking)	29.2	56.9
Unit trust	4.0	5.9
Other net assets	8.7	55.0
	<u>192.0</u>	<u>246.8</u>

Notes to the Accounts continued

4. INVESTMENT INCOME

Technical account

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Income from listed investments	140.2	129.2
Income from other investments	3.3	3.9
Losses on the realisation of investments	(112.1)	(73.4)
	31.4	59.7

The income shown in the technical account represents the whole of the investment income arising in the Group's long-term business fund. The investment income shown in the non-technical account arises from non-life companies.

5. CLAIMS

The aggregate claims are as follows:

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Deaths	39.8	29.5
Surrenders	225.0	214.3
Income protection benefits	15.1	11.0
Maturities	8.2	1.8
	288.1	256.6
Reinsurances		
- Risk	(24.9)	(19.5)
Total claims incurred	263.2	237.1

Surrenders include encashment of single premium plans.

Notes to the Accounts continued

6. NET OPERATING EXPENSES: LONG-TERM BUSINESS TECHNICAL ACCOUNT

	Year Ended 31 December 2002	Year Ended 31 December 2001
	<u>£' Million</u>	<u>£' Million</u>
Acquisition commission	49.6	65.8
Other acquisition costs	61.7	62.6
Change in deferred acquisition costs	<u>(1.6)</u>	<u>(17.7)</u>
	109.7	110.7
Administrative expenses	32.6	21.3
Renewal commission	<u>21.4</u>	<u>18.2</u>
	<u>163.7</u>	<u>150.2</u>

7. TAXATION

Long-term business technical account

	Year Ended 31 December 2002	Year Ended 31 December 2001
	<u>£' Million</u>	<u>£' Million</u>
Group relief		
- current year	(4.1)	(3.1)
- prior year	0.7	(0.4)
Corporation tax		
- current year	0.6	-
- prior period credit	(5.3)	(0.7)
Overseas taxes	1.2	2.3
Deferred tax cost	<u>0.5</u>	<u>4.3</u>
	<u>(6.4)</u>	<u>2.4</u>

Notes to the Accounts continued

Non-technical account

(a) Analysis of tax charge in period

	Year Ended 31 December 2002 <u>£' Million</u>	Year Ended 31 December 2001 <u>£' Million</u>
UK Corporation tax		
- current year charge	3.0	2.8
- prior period credit	(3.4)	(4.4)
Group relief		
- current year charge	1.2	1.1
- prior period credit	3.4	1.4
Taxation attributable to the balance on the long-term technical account	(1.0)	(8.3)
Share of taxation of associated undertakings	-	(2.8)
Total current tax charge/(credit) for the period	<u>3.2</u>	<u>(10.2)</u>

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

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

	Year Ended 31 December 2002 <u>£' Million</u>	Year Ended 31 December 2001 <u>£' Million</u>
Loss on ordinary activities before tax	<u>(41.2)</u>	<u>(16.8)</u>
Corporation tax charge / (credit) at 30%	(12.4)	(5.0)
Effects of:		
Impairment of investment not deductible for tax purposes	5.8	-
Tax bases of life insurance profit	(1.0)	(2.2)
Tax credit not recognised on associated undertakings loss	8.3	-
Expenditure not deductible for tax purposes	1.5	-
Timing on capital allowances	1.0	-
Adjustments to tax charge in respect of previous periods	-	(3.0)
Current tax charge / (credit) for the year	<u>3.2</u>	<u>(10.2)</u>

Notes to the Accounts continued

8. INCOME FROM OTHER INVESTMENTS

Non-technical account

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Interest receivable	3.5	5.2
Other investment income	0.1	1.0
Impairment of other investments (see note 18)	(19.4)	-
	(15.8)	6.2

9. INCOME FROM UNIT TRUST OPERATIONS

An analysis of income generated by the Group's unit trust management activity is shown below:

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Turnover	23.5	25.0
Operating expenses	(13.2)	(14.6)
	10.3	10.4

10. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION IS AFTER CHARGING / (CREDITING)

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Exceptional items		
Impairment of other investments	19.4	-
Amortisation of acquired value of in force	2.6	1.6
Depreciation charged during the year		
Tangible fixed assets	3.5	2.9
Auditor's remuneration		
Audit services	0.2	0.2
Non-audit services	0.1	-
Hire of assets under operating leases		
Office equipment	0.4	0.3
Property leases	7.1	5.8
Interest payable on bank loans	0.3	0.6
Operating lease income	(0.4)	(0.5)

Of the total audit fee £50,000 (2001: £50,000) relates to the audit of the parent company's consolidated accounts. This fee is paid by another Group company.

Notes to the Accounts continued

11. EMPLOYEE COSTS

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Staff costs		
Wages and salaries	17.7	16.4
Social security costs	2.0	1.8
Other pension costs	1.7	1.5
	21.4	19.7
 Average number of persons employed by the Group during the year:	 455	 433

The above information includes Directors' costs.

Information concerning Director's emoluments, shareholdings and options is shown in the Remuneration Report on pages 20 to 29.

12. DIVIDENDS

	Year Ended 31 December 2002 Pence Per share	Year Ended 31 December 2001 Pence Per share	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Interim dividend paid	1.25	1.25	5.4	5.4
Final dividend proposed	1.50	1.50	6.4	6.4
	2.75	2.75	11.8	11.8

The proposed dividend of 1.50 pence per share is payable on 16 May 2003 to those shareholders on the register on 11 April 2003.

Notes to the Accounts continued

13. EARNINGS PER SHARE

	Year Ended 31 December 2002	Restated Year Ended 31 December 2001
	Pence	Pence
Loss on ordinary activities after taxation	(10.4)	(1.5)
Adjustments – Nascent impairment	4.5	-
Adjusted loss	<u>(5.9)</u>	<u>(1.5)</u>

The above table sets out earnings per share and the adjusted earnings per share. In accordance with FRS 14 'Earnings per Share', since diluted loss per share is reduced, the incremental effect is ignored. The diluted loss per share is therefore the same as the loss per share.

The following table sets out the various profit figures and number of share taken into account in the above calculations:

	Year Ended 31 December 2002	Year Ended 31 December 2001
Loss on ordinary activities after taxation	£(44.4m)	£(6.6m)
Adjustments – Nascent impairment	£19.4m	-
Adjusted loss after tax	<u>£(25.0m)</u>	<u>£(6.6m)</u>
Weighted average number of shares (including shares to be issued)	<u>428.0 m</u>	<u>427.2 m</u>
Diluted weighted average number of share	<u>445.4 m</u>	<u>452.8 m</u>
Number of share options for which diluted effect taken account of	<u>55.5 m</u>	<u>57.0 m</u>

Notes to the Accounts continued

14. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	<u>Company</u> £' Million
At 1 January 2002	311.4
Movement in the year	-
At 31 December 2002	<u>311.4</u>

PRINCIPAL SUBSIDIARY UNDERTAKINGS AT 31 DECEMBER 2002

Investment Holding

St. James's Place Investments plc

St. James's Place Wealth Management Group plc (formerly St. James's Place Holdings plc)

Life Assurance

St. James's Place UK plc (formerly J. Rothschild Assurance plc)

St. James's Place International plc (formerly J. Rothschild International Assurance plc)
(incorporated in Ireland)

Unit Trust Management

St. James's Place Unit Trust Group Limited

Financial Services

St. James's Place Financial Services Limited

A full list of subsidiaries is included in the Company's annual return.

The Company owns indirectly 100% of the voting ordinary equity share capital of the above-named subsidiaries.

All of these companies are registered in England and Wales and operate principally in the United Kingdom except where otherwise stated.

15. INVESTMENTS – LAND AND BUILDINGS

The freehold property was independently valued as at 31 December 2002 by Doherty & Baines, Chartered Surveyors, on an open market basis, in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors.

The Directors do not believe the value of the building to have changed significantly since this valuation.

Notes to the Accounts continued

16. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

The Group holds an investment of 22.7% (2001: 22.6%) in the shares of Life Assurance Holding Corporation Limited ("LAHC"). This investment has been dealt with in the consolidated accounts as an associated undertaking and equity accounted on the basis of management accounts on the modified statutory solvency basis covering the year to 31 December 2002.

(a) Change in accounting policy

In accordance with the Group's change in accounting policy outlined in notes 1 and 2, the Group's interest in LAHC has been revised to exclude the internally generated value of long-term business in-force. The acquired value of long-term business in-force, valued in accordance with ABI guidance, has been amortised over the average duration of the underlying policies. In addition the profit on the transfer of LAHC's asset management business to Aberdeen Asset Management has been restated to reflect the profit in the Statement of Total Recognised Gains and Losses.

The impact of these adjustments on the carrying value of LAHC at 31 December 2001 is as follows:

	31 December 2001	
	£' Million	£' Million
As previously reported		88.4
Value of long-term business in-force	(85.7)	
Acquired value of long-term business in-force (after amortisation)	54.2	
Restated		(31.5) 56.9

The impact of these adjustments on the profit after tax for the year is as follows:

	31 December 2001	
	£' Million	£' Million
Previously reported		(8.5)
Movement in internally generated value of long-term business in-force	21.5	
Other recognised gains and losses	(19.5)	
Restated		2.0 (6.5)

Notes to the Accounts continued

(b) Movement in current year

The movement in interest in LAHC for the year to 31 December 2002 is analysed below:

	<u>£' Million</u>
Value at 1 January 2002	56.9
Share of pre-tax loss for the period	(27.7)
Share of tax for the period	-
	<hr/>
Value at 31 December 2002	<u>29.2</u>

The loss for the year is the result of a number of one-off factors: the fall in value of LAHC's holding in Aberdeen Asset Management; an increase in its provision for pension misselling (largely caused by stock market falls); and the reassessment of prior year tax provisions.

(c) Carrying value of LAHC

In 1998 as part of the financing of the acquisition of the GAN group of companies, LAHC entered into a loan arrangement with a consortium of banks, on which regular repayments have been made, financed by dividend and loan repayments from its subsidiaries.

If its subsidiaries were unable to pay a sufficient dividend in order to meet the instalment payable in May 2003, LAHC would need to approach its bankers to reschedule the repayments. While this creates uncertainty in relation to the carrying value of LAHC, the Directors of SJPC can see no reason why the bankers would not agree to this course of action.

In the light of the above, the Directors of SJPC have reviewed the future cash flows of LAHC and the dividends attributable to SJPC, prepared by the management of LAHC. The present value of these dividends, using an after-tax rate of 10% per annum, exceeds the carrying value of LAHC included in these financial statements.

Notes to the Accounts continued

(d) Other disclosures

LAHC is registered in England and Wales and operates principally in the United Kingdom.

The table below discloses SJPC's share of a number of LAHC's revenue and balance sheet totals. The Directors consider these to be more appropriate disclosures for a life company than those detailed in FRS 9.

	Year Ended 31 December 2002 LAHC £' Million	Year Ended 31 December 2002 SJPC Share £' Million	Year Ended 31 December 2001 LAHC £' Million	Year Ended 31 December 2001 SJPC Share £' Million
Gross written premiums	412.6	93.7	353.4	79.9
Loss before taxation	(123.3)	(27.7)	(41.2)	(9.3)
Taxation	-	-	12.4	2.8
Loss after taxation	(123.3)	(27.7)	(28.8)	(6.5)
Capital and reserves	128.5	29.2	251.8	56.9

17. OTHER FINANCIAL INVESTMENTS

	31 December 2002 £' Million	31 December 2001 £' Million
Shares and other variable yield securities (a)	3.4	13.8
Debt securities and other fixed income securities (b)	46.0	44.8
Deposits with credit institutions	64.0	65.5
	<u>113.4</u>	<u>124.1</u>

(a) Shares and other variable yield securities

	31 December 2002 £' Million	31 December 2001 £' Million
Own shares	3.4	0.4
Nascent Group SA	-	13.4
	<u>3.4</u>	<u>13.8</u>

SJPC shares are held by the SJP Employee Trust in respect of the Share Incentive Plan (formerly known as All Employee Share Option Plan) and Executive Deferred Bonus and Share Option Schemes.

The holding in Nascent Group SA is detailed in note 18.

Notes to the Accounts continued

(b) Debt securities and other fixed income securities

The cost of these investments is £43.9 million (2001: £44.7 million), relating to investments listed on a recognised Stock Exchange.

18. NASCENT GROUP SA

SJP holds the following investment in Nascent Group SA ("Nascent"), a Luxembourg incorporated holding company for an Italian Financial Services business.

Class of share	Number	%
Ordinary shares of €1.25	41,497	19.5
12.5% Series A cumulative preference shares of €1.25	173,483	26.7
12.5% Series B cumulative preference shares of €1.25	66,408	26.7

SJP also has voting power over 17,758 ordinary shares in an employee trust, giving it voting control of 27.8% of the ordinary shares. However as another party controls in excess of 50% of the voting capital of Nascent, SJPC considers the level of influence it may exercise over the management of Nascent to be an investment.

In addition SJPC holds €1,066,800 of 3.5% Convertible Loan due from Nascent representing 26.7% of the total loan issued. Under the terms of a Convertible Loan Agreement with the other shareholders of Nascent, SJPC is committed to subscribe for a further €1,656,600 of 3.5% Convertible Loan during 2003. This amount represents 26.7% of the un-subscribed Convertible Loan Note.

Due to difficult trading conditions in Italy subsequent to the launch of the Nascent business, it has proved extremely difficult for the Nascent Group to establish itself and the results have fallen significantly short of shareholders' expectations. Accordingly SJPC considers its investment in Nascent is now fully impaired, resulting in an exceptional charge of £19.4 million in the year. Included as part of this charge is a provision for SJPC's commitment to subscribe for the further €1,656,600 of convertible loan.

Nascent is in the process of disposing of its operations, before winding up the remainder of the group. As part of this restructuring plan, Nascent has the option to require SJPC to acquire Nascent Life and Nascent Services, at 60% of their net asset value, to manage the run-off of the portfolio of Nascent Life's clients. This option expires on 31 March 2003. If the option is exercised the purchase price is expected to be some €2 million.

Notes to the Accounts continued

19. ACQUIRED VALUE OF LONG-TERM BUSINESS IN-FORCE

	Year Ended 31 December 2002	Restated Year Ended 31 December 2001
	£' Million	£' Million
Value at start of period	56.6	58.2
Amortisation	(2.6)	(1.6)
Value at end of period	54.0	56.6

20. LONG-TERM BUSINESS TECHNICAL PROVISION

The long-term business provision is determined in consultation with the Appointed Actuaries following their annual investigations of the long-term business. The assumptions underlying the calculation of the UK long-term business provision for statutory solvency purposes have been determined in accordance with industry accepted actuarial techniques and are detailed in the returns to the Financial Services Authority. These returns are due to be submitted by 31 March 2003 and will then be available to any shareholder on request. The principal sensitive assumptions used in calculating the provisions for linked and non-linked policies are noted below.

Linked policies

The long-term provision consists of sterling reserves designed to cover any future cash flows without recourse to additional capital. The cash flows are projected assuming:

- unit growth rates between 4% and 6% per annum (2001: between 4% and 6%), depending on the tax status and territory of the contract;
- a projection of current expenses assuming inflation of between 3% and 4% per annum (2001: between 4% and 4.5%), depending on the territory of the contract; and
- mortality and morbidity costs are derived from actual rates charged by reinsurers and industry experience.

The resulting cash flows are discounted at a rate of interest between 3.0% and 4.25% (2001: between 4% and 5%), depending on the tax status and territory of the contract to calculate the sterling reserve.

Non-linked policies

The long-term provisions are calculated using the gross premium valuation method. The assumed rate of interest is 3.0% (2001: 3.25%) for life business. Mortality rates are based on recognised mortality tables suitably adjusted to reflect actual experience. Morbidity rates are derived from the Company's own experience, published data, the rates charged by reinsurers and industry experience.

Notes to the Accounts continued

Critical illness experience

As reported in last year's financial statements, the Group entered into a financial reinsurance arrangement with respect to the uncertainty on its critical illness claims experience. Under the terms of this financial reinsurance arrangement, the reinsurer has agreed to maintain the current reinsurance rates, provided it can recover experience in excess of those rates from profits on future new business written by the Group. These arrangements remain in place.

Following discussions with its Appointed Actuaries, the Group has included in its statutory long-term provision prior to reinsurance, reserves of £18.3 million (2001: £23.7 million) as a result of the financial reinsurance, although the net provision (after reinsurance) remains unchanged. This financial reinsurance has been accounted for in accordance with FRS 5 "Reporting the substance of transactions" and accordingly a liability of £18.3 million (2001: £23.7 million) has been established. The cash balance outstanding under the arrangement at 31 December 2002 was, however, £ nil (2001: £ nil).

Regulatory reviews

During the year the Group has completed the various required regulatory reviews and therefore there are no provisions outstanding at 31 December 2002 (2001: £6.7 million).

21. ASSETS HELD TO COVER LINKED LIABILITIES

Assets held to cover linked liabilities comprise the following:

	31 December 2002 £' Million	31 December 2001 £' Million
Market Value		
Government securities	542.4	514.8
Other fixed interest securities	96.4	111.9
Ordinary shares	3,322.0	3,381.4
Unit trusts and OEICs	228.7	342.9
Deposits	411.4	429.3
Other	30.7	16.3
	<u>4,631.6</u>	<u>4,796.6</u>
Historic cost	<u>5,614.7</u>	<u>4,995.7</u>

Notes to the Accounts continued

22. TANGIBLE ASSETS

	Fixtures, Fittings, Computers and Office Equipment £' Million	Motor Vehicles £' Million	Total £' Million
Cost			
At 1 January 2002	21.5	3.7	25.2
Additions	2.5	0.5	3.0
Disposals	-	(2.0)	(2.0)
At 31 December 2002	24.0	2.2	26.2
Depreciation			
At 1 January 2002	14.9	1.8	16.7
Charge for the year	3.0	0.5	3.5
Disposals	-	(1.2)	(1.2)
At 31 December 2002	17.9	1.1	19.0
Net book value			
At 31 December 2001	6.6	1.9	8.5
At 31 December 2002	6.1	1.1	7.2

23. SHARE CAPITAL

	Number	Nominal Value £' Million
Authorised		
Ordinary shares at 15p each		
At 1 January 2002 and 31 December 2002	605,000,000	90.8
	Number	Nominal Value £' Million
Issued, Allotted and Fully Paid		
Ordinary shares at 15p each		
At 1 January 2002	428,996,108	64.3
Exercise of options	1,716,146	0.3
At 31 December 2002	430,712,254	64.6

Notes to the Accounts continued

23. SHARE CAPITAL CONTINUED

In addition, the authorised share capital includes one Special Rights Redeemable Preference Share of £1, which was until 20 December 2002 issued to the J. Rothschild Name Company Limited, an entity formed to protect the use of the name "J. Rothschild". Following a request from the holder of the special share, the Company redeemed the Special Share at par value (being £1) out of distributable profits on 20 December 2002. It is proposed that the authorised Special Share is cancelled by way of a special resolution at the forthcoming Annual General Meeting.

Share Options

On the acquisition of the remaining share capital of St. James's Place Wealth Management Group plc (formerly J. Rothschild Assurance Holdings plc ("JRAH")) in 1997, SJPC agreed to issue further shares, up to a maximum of 25.8 million, to satisfy the exercise of options held over JRAH shares at the time of acquisition. A reserve for shares to be issued was established in recognition of the commitment and 1.7 million shares have still to be issued from this reserve.

During the year options over 3 million shares have been granted at a range of prices between £1.04 and £2.95. In addition, during July 2002 options over some 25 million SJPC shares, previously issued to members of the St. James's Place Partnership and a small number of employees at prices ranging from £2.375 to £4.075 were surrendered and new options over the same number of shares were issued to the relevant individuals at £1.45.

Options outstanding under the various share option schemes at 31 December 2002 amount to 55.5 million shares (31 December 2001: 57.0 million). Of these, 43.5 million are under option to Partners of the St. James's Place Partnership, 9.3 million are under option to executives and senior management and 2.7 million are under option through the SAYE scheme. These are exercisable on a range of future dates.

The following table sets out the anticipated proceeds if all option holders exercised their shares at the first available opportunity.

Earliest date of exercise	Number of share options outstanding Million	Anticipated Proceeds £' Million
Immediate	16.5	24.1
Jan – Jun 2003	7.0	11.0
Jul – Dec 2003	1.7	3.5
Jan – Jun 2004	1.0	2.4
Jul – Dec 2004	0.6	1.4
Jan – Jun 2005	0.9	2.3
Jul – Dec 2005	16.0	23.7
Jan – Jun 2006	1.2	1.7
Jul – Dec 2006	6.0	8.7
Jan – Jun 2007	1.1	1.6
Jul – Dec 2007	3.1	4.0
Jan – Jun 2008	0.3	0.4
Jul – Dec 2008	0.1	0.1
	55.5	84.9

Notes to the Accounts continued

24. RESERVES

Group

	Share Premium Account £' Million	Shares to be Issued Reserve* £' Million	Other Reserves £' Million	Profit and Loss Account £' Million
At 1 January 2002	3.4	0.5	228.2	213.2
Prior year adjustment	-	-	(226.0)	(36.8)
	<u>3.4</u>	<u>0.5</u>	<u>2.2</u>	<u>176.4</u>
Release of reserve on issue of shares	-	(0.1)	-	-
Exercise of options	1.2	-	-	-
Retained loss for the year	-	-	-	(56.2)
At 31 December 2002	<u><u>4.6</u></u>	<u><u>0.4</u></u>	<u><u>2.2</u></u>	<u><u>120.2</u></u>

* The shares to be issued reserve was established on the acquisition of St. James's Place Wealth Management Group plc ("SJPWM") to account for the share options in that company that were unexercised at the acquisition date as detailed in note 23. The movement in the reserve during the year occurred on the exercise of these options.

As explained in note 2, the Group changed its accounting policies during the year to exclude the present value of internally generated in-force business. This resulted in the elimination of £203.5 million previously included in Other Reserves as a non-distributable reserve, which represented the increase in the internally generated PVIF recognised in the financial statements each year.

Also included in Other Reserves was an acquisition reserve of £22.5 million arising from the acquisition of SJPWM. The acquisition fell within Section 131 of the Companies Act 1985 and therefore no share premium account was required to be established. The acquisition reserve arose on consolidation and represented the excess of the SJPC share price on the date SJPWM was acquired, over the nominal value of those shares issued. The goodwill of £150.4 million that arose on 26 June 1997, following SJPC's acquisition of the then remaining share capital of St. James's Place Holdings plc, was written off against this reserve. Following the change in accounting policy, the £22.5 million balance remaining on this reserve has been transferred to the Profit and Loss account in equal proportion to the amortisation charge arising on the acquired VIF arising on this change in policy.

Notes to the Accounts continued

24. RESERVES continued

The impact of the prior year adjustment on the Profit and Loss account of £36.8 million relates to the de-recognition of internally generated PVIF relating to LAHC, and the amortisation of the acquired PVIF of SJPC and LAHC, after taking into account the £22.5 million reserve transfer discussed above.

Company

	Share Premium Account £' Million	Shares to be Issued Reserve £' Million	Profit and Loss Account £' Million
At 1 January 2002	3.4	0.5	50.2
Release of reserve on issue of shares	-	(0.1)	-
Exercise of options	1.2	-	-
Retained profit for year	-	-	16.9
At 31 December 2002	4.6	0.4	67.1

As permitted by Section 230 of the Companies Act 1985 the company has not published a separate profit and loss account. The profit for the financial year dealt with in the accounts of the Company was £28.7 million (2001: loss £0.4 million).

The distributable reserves of the Company were £67.1 million (2001: £50.2 million).

Notes to the Accounts continued

25. RECONCILIATIONS OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

Group

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Loss for the financial year	(44.4)	(6.6)
Dividends	(11.8)	(11.8)
Retained loss for the year	(56.2)	(18.4)
Issue of share capital	1.4	3.2
Share of associated undertaking's total recognised gains and losses	-	19.5
Net (reduction)/addition to shareholders' funds	(54.8)	4.3
Opening shareholders' funds	246.8	242.5
Closing shareholders' funds	192.0	246.8

Company

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Profit / (loss) for the financial year	28.7	(0.4)
Dividends	(11.8)	(11.8)
Retained profit / (loss) for the financial year	16.9	(12.2)
Issue of share capital	1.4	3.2
Net addition / (reduction) to shareholders' funds	18.3	(9.0)
Opening shareholders' funds	118.4	127.4
Closing shareholders' funds	136.7	118.4

26. PROVISIONS FOR OTHER RISKS AND CHARGES

	Deferred Tax £' Million	Other Provisions £' Million	Total £' Million
At 1 January 2002	15.2	4.6	19.8
Charge / (credit) to the profit and loss account	0.7	(2.5)	(1.8)
Cash paid	-	(1.8)	(1.8)
At 31 December 2002	15.9	0.3	16.2

Notes to the Accounts continued

The other provisions are principally to meet obligations arising as a result of the Halifax acquisition of 60% of the share capital of SJPC plc in June 2000. As a result of this transaction, a number of share options lost their approved tax status and SJPC has agreed to compensate share option holders to ensure the effect on individuals is neutral.

The value of this provision is dependent, amongst other things, on the current SJPC share price and accordingly the provision has been adjusted at 31 December 2001 to reflect the movement of the share price during the year.

The year end deferred tax position is analysed as follows:

	31 December 2002	31 December 2001
	£' Million	£' Million
Deferred acquisition costs	15.9	15.2

27. AMOUNTS OWED TO CREDIT INSTITUTIONS

	31 December 2002	31 December 2001
	£' Million	£' Million
Bank overdraft	-	14.6
Bank loan	45.0	-
	45.0	14.6

The Group has an unsecured revolving credit facility amounting to £60 million expiring on 7 November 2007, arranged on a bilateral basis with the Royal Bank of Scotland plc and the Governor and the Company of the Bank of Scotland plc.

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

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

28. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	31 December 2002	31 December 2001
	£' Million	£' Million
Trade creditors	9.5	17.5
Dealing creditors	0.7	2.9
Corporation tax	6.2	65.4
	16.4	85.8

Notes to the Accounts continued

29. PENSIONS ARRANGEMENTS

Personal Pensions

Defined contribution personal pension plans are operated for SJPC's employees. Total pension costs of employer contributions to these plans in the year were £0.8 million (2001: £0.2 million). There were no prepaid or outstanding contributions outstanding at the year end (2001: £nil).

Occupational Scheme

The occupational scheme has two sections, a defined contribution section and a defined benefits section.

Defined benefits section

The defined benefits section is closed to new members and has only one active member. The residual liabilities to the pensioners and deferred pensioners have been matched by purchased annuities (both immediate and deferred) from insurance companies and therefore no surplus or deficit will arise.

The last valuation of the scheme was carried out at 1 January 2002. The scheme is fully funded and estimated to have no surplus at 31 December 2002 (2001: £nil).

There have been no employer contributions during the year.

Defined contribution section

The defined contribution section is closed to new members. However, employer contributions during the year for existing members were £1.0 million (2001: £1.5 million).

30. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31 December 2002	31 December 2001
	£' Million	£' Million
Operating loss before tax	(41.2)	(16.8)
Interest paid	0.3	0.6
Interest received	(3.5)	(5.2)
(Profits) / losses relating to long-term business	(0.1)	20.4
Transfer to long-term business fund	(20.0)	(20.0)
Profit on sale of fixed assets	(0.1)	(0.1)
Depreciation	3.5	2.9
Profit on disposal of subsidiary undertaking	-	(0.2)
Share of loss of associated undertakings	27.7	9.3
Write down in shares and other variable yield securities	21.3	-
Increase in debtors and prepayments	(3.9)	(5.7)
Decrease in creditors	(7.1)	(5.9)
Decrease in debtor to long-term business	2.9	6.1
Net cash outflow from operating activities	<u>(20.2)</u>	<u>(14.6)</u>

Notes to the Accounts continued

31. MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS, NET OF FINANCING

	31 December 2002	31 December 2001
	£' Million	£' Million
Increase / (decrease) in cash holdings	8.1	(15.6)
(Drawdown) / repayment of loan	(45.0)	7.0
Portfolio investments: deposits with credit institutions	(2.3)	(23.9)
	(39.2)	(32.5)
Total movement in portfolio investments, net of financing		
Portfolio investments, net of financing at 1 January	27.7	60.2
	(11.5)	27.7
Portfolio investments, net of financing at 31 December		

32. MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	At 1 January 2002	Cashflow	At 31 December 2002
	£' Million	£' Million	£' Million
Cash at bank	18.8	(6.9)	11.9
Overdrafts	(15.0)	15.0	-
	3.8	8.1	11.9
Deposits with credit institutions	23.9	(2.3)	21.6
Bank loan	-	(45.0)	(45.0)
	27.7	(39.2)	(11.5)

33. FINANCIAL COMMITMENTS

At 31 December 2002 the Group had annual commitments under non-cancellable operating leases which expire as follows:

	31 December 2002	31 December 2001
	£' Million	£' Million
Office equipment:		
Within one year	-	-
Between two and five years	0.4	0.3
Property leases:		
Within one year	-	-
Between two and five years	1.1	2.0
In more than five years	5.9	4.5
	7.4	6.8

Notes to the Accounts continued

34. RELATED PARTY TRANSACTIONS

HBOS plc

The relationship between SJPC and the HBOS Group is governed by a Relationship Agreement, details of which are given in the Corporate Governance Report on page 16.

SJPC also has arms length arrangements with HBOS as follows:

- Commission from the sale of banking services for St. James's Place Bank (a division of Halifax plc). The amounts receivable during the year were £4.0 million (2001: £1.0 million).
- Commission from the sale of Stakeholder pensions for Clerical Medical. The amounts receivable during the year were £2.6 million (2001: £0.7 million).
- Commission from the sale of Halifax mortgages. The amounts receivable during the year were £1.4 million (2001: £1.2 million).
- HBOS plc provided a guarantee to the Company's reassurers in respect of the Company's obligations in relation to the arrangements described in note 20. The guarantee, which is on normal commercial terms, continues for a maximum of ten years with an annual amount payable by the Company of £0.5 million.
- During the year, deposits were placed with Bank of Scotland on normal commercial terms. At 31 December 2002 these deposits amounted to £0.6 million (2001: £0.5 million).
- As part of a syndicate, the Governor and the Company of Bank of Scotland plc (a subsidiary of HBOS plc) provided a 50% share of a revolving combined credit facility of £60m on normal commercial terms.
- SJPC Board Directors have been included in a directors and officers policy negotiated on a group basis by HBOS.

LAHC

There were no transactions during the financial year ended 31 December 2002.

Nascent Group SA

St. James's Place International Assurance plc (SJPI) has accepted single premium investment business from Nascent SIM SpA, which has been reassured on commercial terms to the Nascent Group. Payments from Nascent to SJPI for the year amounted to £0.4 million (2001: £3.9 million).

Nascent has an option to require SJPC to acquire Nascent Life and Nascent Services, at 60% of net asset value, to manage the run-off of the portfolio of Nascent Life's clients. This option expires on 31 March 2003.

Directors' transactions

Total contributions paid by the Directors during the year to various life and unit trust contracts issued by Group companies under normal terms, amounted to £0.7 million (2001: £0.1 million).

No other contract of significance existed at any time during the year in which a Director was materially interested or which required disclosure as a related party transaction under Financial Reporting Standard 8 – Related Party Disclosures.

Notes to the Accounts continued

35. ULTIMATE PARENT COMPANY

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

The immediate parent company is HBOS Insurance and Investment Group Limited, a company registered in England and Wales.

**SUPPLEMENTARY INFORMATION
ON AN ACHIEVED PROFIT BASIS
FOR LIFE BUSINESS ONLY
(UNIT TRUST ON STATUTORY BASIS)**

ACHIEVED PROFIT RESULT

The following supplementary information shows the result for the Group adopting an achieved profit basis for reporting the results of its wholly owned life businesses.

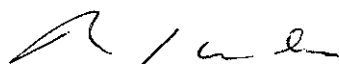
Summarised income statement

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Achieved profit*		
MSSB profit /(loss)	0.1	(20.4)
Increase in value of life in force business	32.3	99.1
	32.4	78.7
Pre tax achieved profit		
Tax	(8.8)	(19.2)
	23.6	59.5
Post tax achieved profit		
Statutory profit*		
(Loss) / profit before tax	(41.3)	3.6
Tax	(4.2)	1.9
	(45.5)	5.5
(Loss) / profit after tax		
Summary of achieved profit shareholders' funds		
MSSB basis	192.0	246.8
Increase in value of life in force business	268.7	246.2
	460.7	493.0
Life achieved profit basis		

* Achieved profit relates to profits from the Group's wholly owned life businesses. Statutory profit relates to profits from all other sources.

The notes and information on pages 72 to 75 forms part of this supplementary information.

The supplementary information on pages 69 to 75 were approved by the Board of Directors on 24 February 2003 and signed on its behalf by:



M.S. Wilson
Chief Executive



M.D. Moule
Finance Director

ACHIEVED PROFIT RESULT CONTINUED

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Reconciliation of the movement in the life achieved profit shareholders' funds		
Shareholders' funds on an achieved profit basis brought forward	493.0	417.1
Post tax achieved profit for the year	23.6	59.5
Post tax statutory (loss) / profit for the year	(45.5)	5.5
Other recognised gains and losses	-	19.5
Issue of share capital	1.4	3.2
Dividends	(11.8)	(11.8)
	460.7	493.0
Shareholders funds on an achieved profit basis carried forward		

NOTES TO THE ACHIEVED PROFIT RESULTS

I. BASIS OF PREPARATION

The supplementary information on pages 69 to 75 shows the Group's life results as measured on an achieved profit basis, which includes the results of the Group's long-term assurance business on a basis determined in accordance with the ABI Guidance "Supplementary Reporting for long term assurance business (the achieved profits method)" issued in December 2001. The objective of the Achieved Profit basis is to provide shareholders with more realistic information on the financial position and performance of the Group than that provided by the modified statutory solvency basis.

The Group's unit trust business is not included on an achieved profit basis within this supplementary information although it is in the unaudited financial information.

Smoothed investment return assumptions have been used. A smoothed basis provides a prudent measure of achieved profit during a period where stock markets rise. The impact of preparing this information on an unsmoothed basis is presented in note V.

The results of LAHC have been included on a modified statutory solvency basis as opposed to an achieved profit basis as LAHC is a non-core investment.

II. METHODOLOGY AND ASSUMPTIONS

The Achieved Profits methodology recognises as profit the discounted value of the expected future statutory surpluses arising from the contracts in force at the period end ("the value of long-term business in force"). These future surpluses are calculated by projecting future cash flows using realistic assumptions for each component of the cash flow. Actuarial assumptions for the mortality, morbidity and persistency experience of the contracts and the expenses and taxation expected to be incurred are based on recent experience and are reviewed annually. The future economic and investment conditions are based on the period end conditions and are likely to change from year to year.

Economic Assumptions

The principal economic assumptions used within the cash flows at 31 December 2002 are set out below alongside the comparatives for 31 December 2001.

	Year Ended 31 December 2002	Year Ended 31 December 2001
Risk discount rate (net of tax)	8.00%	8.5%
Future investment returns:		
- Fixed Interest	4.50%	5.0%
- Equities	7.00%	7.5%
- Unit-linked funds:		
- Capital growth	3.50%	3.75%
- Dividend income	3.00%	3.0%
- Total	6.50%	7.0%
Expense inflation	4.25%	4.5%
Indexation of capital gains	1.75%	2.5%

The risk discount rate is used to discount the projected future cash flows from the business in-force to a present value. The rate is set by reference to the assumed future investment returns.

NOTES TO THE ACHIEVED PROFIT RESULTS continued

The assumed future pre-tax returns on fixed interest securities are set by reference to the 15 year gilt yield index. The other investment returns are set by reference to this assumption.

The expense inflation and indexation of capital gains assumptions are based on the rate of inflation implicit in the current valuation of 15 year index-linked gilts.

For the purposes of projecting future unit growth unit linked funds have been valued on a smoothed basis. Smoothing is achieved by a recursive formula where

$$\text{smoothed price (t+1)} = 0.075 \times \text{actual price (t+1)} + 0.925 \times \text{smoothed price (t)} \times (1 + G)$$

where G is the monthly expected rate of unit growth after tax and charges and time t is in monthly periods. The smoothing is equivalent to a short term change in the assumed investment return.

Experience Assumptions

The principal experience assumptions were derived as follows. All experience assumptions are reviewed annually.

The persistency experience is derived where possible from the Company's own experience, or otherwise from external industry experience. Lapse rates for pension policies have been adjusted to take into account a one-off increase in rates following the introduction of Stakeholder pensions.

Maintenance expenses have been set in line with the costs charged by the Company's third party administrators, together with an allowance for the Company's own maintenance costs.

Mortality and morbidity assumptions have been set by reference to the Company's own experience, published industry data and the rates charged by the Company's reassurers.

A provision of £12.5 million has been set up within the cash flows to provide for adverse morbidity experience on critical illness plans. This is unchanged from 31 December 2001.

Other items

The value of new business has been established at the end of the reporting period. It has been calculated using actual acquisition costs.

In projecting future surpluses allowance has been made for the cost of maintaining a statutory solvency margin on the business in force.

Future taxation has been determined assuming a continuation of the current tax legislation.

The achieved profits results are calculated on an after-tax basis and are grossed up to the pre-tax level for presentation in the profit and loss account. The rate of tax used was 30% except for the Irish life business, which was grossed up at 12.5%.

NOTES TO THE ACHIEVED PROFIT RESULTS continued

III. COMPONENTS OF LIFE ACHIEVED PROFIT

The pre-tax components of the Achieved Profit result for life are shown below.

The basic operating Achieved Profit is determined using the assumptions as set out above in note II. This value is subsequently adjusted to take into account items considered to be short-term variations to these longer-term assumptions to show the total achieved pre- and post-tax profit for the respective periods.

	Year Ended 31 December 2002 <hr style="width: 100%; border: 0.5px solid black;"/> £' Million	Year Ended 31 December 2001 <hr style="width: 100%; border: 0.5px solid black;"/> £' Million
New business contribution	18.7	49.5
Profit from existing business		
Unwind of discount rate	34.4	29.9
Experience variances	5.5	2.3
Operating assumption changes	0.5	5.7
Investment income	2.6	2.0
Life operating achieved profit before tax	<hr style="width: 100%; border: 0.5px solid black;"/> 61.7	<hr style="width: 100%; border: 0.5px solid black;"/> 89.4
Investment return variances	(32.0)	(9.8)
Effect of economic assumption changes	<hr style="width: 100%; border: 0.5px solid black;"/> 2.7	<hr style="width: 100%; border: 0.5px solid black;"/> (0.9)
Life achieved profit before tax	32.4	78.7
Attributed tax	(8.8)	(19.2)
Life achieved profit after tax	<hr style="width: 100%; border: 0.5px solid black;"/> <hr style="width: 100%; border: 0.5px solid black;"/> 23.6	<hr style="width: 100%; border: 0.5px solid black;"/> <hr style="width: 100%; border: 0.5px solid black;"/> 59.5

The economic assumption changes reflect the effect of the movement in the economic bases noted in the methodology and assumptions. The operating assumption changes reflect one off changes to other assumptions used in the calculation of the achieved profit.

New business contribution after tax is £14.0 million (2001: £36.8 million).

NOTES TO THE ACHIEVED PROFIT RESULTS continued

IV. SENSITIVITIES

The table below shows the impact of changes in economic assumptions on the reported value of new business and value of long-term business in force of changes to the risk discount rate, the assumed rate of long-term investment return and market movements.

		Change in new business contribution		Change in the post-tax value of long-term business in-force
		Pre-tax £' Million	Post-tax £' Million	£' Million
Reported value at 31 December 2002		18.7	14.0	322.7
Risk discount rate	+1%	(5.4)	(3.8)	(18.0)
	-1%	6.0	4.2	19.0
Investment return	+1%	4.0	2.8	13.6
	-1%	(4.0)	(2.8)	(13.0)
Current withdrawal rate	x110%	(3.7)	(2.6)	(12.7)
	x90%	4.0	2.9	13.8

V. INVESTMENT RETURN ASSUMPTIONS

As discussed in note II, smoothed investment return assumptions are used. The impact of the removal of smoothing would be to reduce the Achieved Profit from life assurance business before tax by £43.9 million (2001: £33.3 million) and reduce the Achieved Profit from life assurance business after tax by £31.4 million (2001: £23.5 million).

The impact on shareholders funds on an Achieved Profit basis of the removal of smoothing would be a reduction of £54.9 million at 31 December 2002 (2001: £23.5 million).

INDEPENDENT AUDITORS' REPORT TO ST JAMES'S PLACE CAPITAL PLC ON THE ACHIEVED PROFITS SUPPLEMENTARY INFORMATION

We have audited the supplementary information on pages 69 to 75 in respect of the year ended 31 December 2002. The supplementary information has been prepared in accordance with the guidance issued in December 2001 by the Association of British Insurers entitled "Supplementary Reporting for Long Term Insurance Business (the Achieved Profits Method)" ('the guidance') using the methodology and assumptions set out on pages 72 to 73. The supplementary information should be read in conjunction with the primary financial statements which are on pages 32 to 68.

This report is made solely to the company in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company; for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 17 the directors' responsibilities include preparing the supplementary information on the Achieved Profits basis in accordance with the guidance issued by the Association of British Insurers. Our responsibilities, as independent auditors, in relation to the supplementary information are established in the United Kingdom by the Auditing Practices Board, by our profession's ethical guidance and the terms of our engagement.

Under the terms of engagement we are required to report to the company our opinion as to whether the supplementary information has been properly prepared in accordance with the guidance using the methodology and assumptions set out on pages 72 to 73. We also report if we have not received all the information and explanations we require for this audit.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion, the achieved profits supplementary information for the year ended 31 December 2002 has been properly prepared in accordance with the guidance using the methodology and assumptions set out on pages 72 to 73.

KPMG Audit Plc

KPMG Audit plc
Chartered Accountants
Registered Auditor
London
24 February 2003

**UNAUDITED FINANCIAL INFORMATION ON THE COMBINED LIFE
AND UNIT TRUST ACHIEVED PROFITS**

UNAUDITED INFORMATION INCLUDING LIFE AND UNIT TRUSTS ON AN ACHIEVED PROFITS BASIS

The following information shows the results for the Group of adopting a methodology similar to the achieved profit basis for reporting unit trust business.

Summarised income statement

	Year Ended 31 December 2002 <u>£' Million</u>	Year Ended 31 December 2001 <u>£' Million</u>
Profit from core business		
Life business	32.4	78.7
Unit trust business	14.5	26.3
Other	(4.5)	2.5
	<u>42.4</u>	<u>107.5</u>
Profit / (losses) from other business		
LAHC	(27.7)	(9.3)
Other investments (Nascent)	(19.4)	-
Achieved profit on ordinary activities before taxation	<u>(4.7)</u>	<u>98.2</u>
Taxation		
Life business	(8.8)	(19.2)
Unit trust business	(4.3)	(7.9)
Other	(1.1)	2.2
LAHC	-	2.8
	<u>(14.2)</u>	<u>(22.1)</u>
Achieved profit on ordinary activities after tax	(18.9)	76.1
Dividends	(11.8)	(11.8)
Retained achieved (loss) / profit for the financial year	<u>(30.7)</u>	<u>64.3</u>
	Pence	Pence
Dividend per share	2.75	2.75
Earnings per share	(4.4)	17.8
Adjusted earnings per share	0.1	17.8
Net asset per share	126.3	133.7

The diluted earnings per share and diluted adjusted earnings per share are equivalent to their undiluted counterparts and have therefore not been shown.

**UNAUDITED CONSOLIDATED BALANCE SHEET AT 31 DECEMBER
INCLUDING LIFE AND UNIT TRUST BUSINESS ON AN ACHIEVED
PROFIT BASIS**

Assets	<u>2002</u>	<u>2001</u>
	£' Million	£' Million
Investments		
Land and buildings	1.3	1.3
Investments in associated undertakings	29.2	56.9
Other financial investments	113.4	124.1
	<u>143.9</u>	<u>182.3</u>
Value of in-force business		
- Long-term insurance	322.7	302.8
- Unit trusts	83.5	80.5
Assets held to cover linked liabilities	4,631.6	4,796.6
Reinsurers' share of technical provisions	67.0	58.7
Debtors	73.7	69.4
Other assets	39.9	55.9
Prepayments and accrued income	5.3	59.1
Deferred acquisition costs	57.9	55.0
	<u>5,425.5</u>	<u>5,660.3</u>
Liabilities		
Capital and reserves		
Called up share capital	64.6	64.3
Share premium account	4.6	3.4
Shares to be issued	0.4	0.5
Other reserves	474.6	505.3
Equity shareholders' funds	544.2	573.5
Technical provisions	117.1	120.9
Technical provisions for linked liabilities	4,631.6	4,796.6
Provisions for other risks and charges	16.2	19.8
Creditors	95.9	134.3
Accruals and deferred income	20.5	15.2
	<u>5,425.5</u>	<u>5,660.3</u>

NOTES TO THE UNAUDITED INFORMATION

A. BASIS OF PREPARATION

The information on pages 77 to 83 shows the Group's results as measured on an achieved profit basis, which includes the results of the Group's unit trust business on a similar basis to the ABI Guidance "Supplementary Reporting for long term assurance business (the achieved profits method)" issued in December 2001.

The results of LAHC have been included on a modified statutory solvency basis as opposed to an achieved profit basis as LAHC is a non-core investment.

The assumptions used to determine the unit trust achieved profit result are consistent with those used for life business, which are disclosed on pages 72 and 73. The unit trust achieved profit is determined using smoothed unit prices.

B. COMPONENTS OF THE LIFE AND UNIT TRUST ACHIEVED PROFIT

Unit trust business

	Year Ended 31 December 2002	Year Ended 31 December 2001
	£' Million	£' Million
New business contribution	14.3	18.7
Profit from existing business		
Unwind of discount rate	8.6	7.7
Experience variances	3.8	1.4
Unit trust operating achieved profit before tax	26.7	27.8
Investment return variances	(12.0)	(1.6)
Effect of economic assumption changes	(0.2)	0.1
Unit trust achieved profit before tax	14.5	26.3
Attributed tax	(4.3)	(7.9)
Unit trust achieved profit after tax	10.2	18.4

The economic assumption changes reflect the effect of the movement in the economic bases noted in the methodology and assumptions. The operating assumption changes reflect one off changes to other assumptions used in the calculation of the achieved profit.

New business contribution after tax is £10.0 million (2001: £13.0 million).

NOTES TO THE UNAUDITED INFORMATION continued

Unit trust and life business combined

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
New business contribution	33.0	68.2
Profit from existing business		
Unwind of discount rate	43.0	37.6
Experience variances	9.3	3.7
Operating assumption changes	0.5	5.7
Investment income	2.6	2.0
Operating achieved profit before tax	88.4	117.2
Investment return variances	(44.0)	(11.4)
Effect of economic assumption changes	2.5	(0.8)
Achieved profit before tax	46.9	105.0
Attributed tax	(13.1)	(27.1)
Achieved profit after tax	33.8	77.9

The economic assumption changes reflect the effect of the movement in the economic bases noted in the methodology and assumptions. The operating assumption changes reflect one off changes to other assumptions used in the calculation of the achieved profit.

New business contribution after tax is £24.0 million (2001: £49.8 million).

C. SENSITIVITIES

The table below shows the impact of changes in economic assumptions on the reported value of new business and value of long-term business in force of changes to the risk discount rate, the assumed rate of long-term investment return and market movements for the combined life and unit trust business.

	Change in new business contribution		Change in the post-tax value of long-term business in-force
	Pre-tax £' Million	Post-tax £' Million	£' Million
Reported value at 31 December 2002	33.0	24.0	406.2
Risk discount rate +1%	(6.4)	(4.6)	(22.8)
-1%	7.0	5.0	24.2
Investment return +1%	5.0	3.6	19.2
-1%	(5.0)	(3.6)	(18.2)
Current withdrawal rate x110%	(4.6)	(3.2)	(17.0)
x90%	4.9	3.5	18.5

NOTES TO THE UNAUDITED INFORMATION continued

D. INVESTMENT RETURN ASSUMPTIONS

As discussed in note A, smoothed investment assumptions are used. The impact of the removal of smoothing would be to reduce the Achieved Profit from life and unit trust business before tax by £58.2 million (2001: £42.2 million) and reduce the Achieved Profit from life and unit trust business after tax by £41.4 million (2001: £29.7 million).

The impact on shareholder funds on an Achieved Profit basis of the removal of smoothing would be a reduction of £71.1 million at 31 December 2002 (2001: £29.7 million). The net asset per share would be 109.8p (2001: 126.8p) on an unsmoothed basis.

E. IMPACT OF CHANGES IN BASIS OF PREPARATION

The note below reconciles the reported result in the 2001 financial statements, which was prepared on a basis using passive assumptions, to the equivalent result included in the financial information (smoothed basis).

Profit

	Year Ended 31 December 2002 £' Million	Year Ended 31 December 2001 £' Million
Consolidated profits after taxation as previously reported		59.2
Inclusion of movement in unit trust value of in-force business	-	10.9
Adoption of FRS 19	-	1.5
Move to 'active' basis of achieved profits		
- life business	-	2.3
- unit trust business	-	0.2
Changes in LAHC carrying value to modified statutory solvency basis	-	2.0
Consolidated achieved profits after taxation	(18.9)	76.1
Less movements in:		
Unit trust value of in-force business	(3.0)	(11.1)
Internally generated long-term insurance value of in-force	(19.9)	(70.0)
Current period amortisation of acquired long-term insurance value of in-force	(2.6)	(1.6)
Modified Statutory Profits after taxation	(44.4)	(6.6)

NOTES TO THE UNAUDITED INFORMATION continued

E. IMPACT OF CHANGES IN BASIS OF PREPARATION CONTINUED

Net Assets	31 December 2002 <u>£' Million</u>	31 December 2001 <u>£' Million</u>
Net assets as previously reported	-	509.6
Inclusion of unit trust value of in-force business	-	79.8
Adoption of FRS 19	-	7.6
Move to 'active' basis of achieved profits		
- life business	-	7.3
- unit trust business	-	0.7
Change in LAHC carrying value to modified statutory solvency basis	<u>-</u>	<u>(31.5)</u>
Consolidated net assets under Achieved Profit basis	544.2	573.5
Less:		
Unit trust value of in-force	(83.5)	(80.5)
Internally generated long-term insurance value of in-force	(322.7)	(302.8)
Acquired long-term insurance value of in-force amortised to date	54.0	56.6
Consolidated net assets under Modified Statutory Profits	<u>192.0</u>	<u>246.8</u>

SHAREHOLDER INFORMATION

ANALYSIS OF NUMBER OF SHAREHOLDERS

<u>Number of Shares</u>	<u>Number of Shareholders</u>	<u>%</u>	<u>Shares held</u>	<u>%</u>
1 - 999	3,186	39.0	1,380,734	0.32
1,000 – 9,999	4,110	50.3	12,141,447	2.82
10,000 – 99,999	683	8.4	17,618,373	4.09
100,000 and above	184	2.3	399,571,700	92.77
	<u>8,163</u>	<u>100.0</u>	<u>430,712,254</u>	<u>100.0</u>

FINANCIAL CALENDAR

Announcement of first quarter new business	1 May 2003
Annual General Meeting	15 May 2003
Final dividend on ordinary shares of 15 pence	Payable 16 May 2003 to shareholders on the register on 11 April 2003
Announcement of Interim Results and second quarter new business	29 July 2003
Announcement of third quarter new business	29 October 2003

ST. JAMES'S PLACE FOUNDATION

The ethos of raising money within the working environment, for the benefit of the less fortunate members of society, plays an important role in the lives of those associated with St. James's Place.

From the outset, charitable giving has been a key part of the culture of the Company. Sir Mark Weinberg has a long association with the charitable world, being one of the co-founders of The PerCent Club (now part of Business in the Community), an organisation set up to encourage businesses to donate a percentage of their profits to charitable causes. In addition, the founder members of the Company knew, from their previous walks of life, how much satisfaction people within a company can obtain from putting something, whether time or money, back into the community. It is not surprising therefore that charitable trusts were established early on by both St. James's Place Capital plc and the J. Rothschild Assurance Group. These charitable trusts were merged in 1999 and in 2000 renamed the St. James's Place Foundation ("the Foundation").

HOW IS THE FOUNDATION FUNDED?

The Trustees ultimately retain responsibility for any actions taken by the Foundation. However, to assist them in their duties and to encourage involvement and a sense of ownership, a management committee made up of one representative from each regional office, together with representatives from the Company's head office, was established at the outset. This remains the position today, with each representative supported within their office by a group of people who assist in organising fund raising events.

Each of the Company's regional offices and each department within head office organise fundraising events. These range from raffles bringing in a few hundred pounds, to promises auctions and race evenings, which can raise several thousands of pounds. Every social event is looked upon as an opportunity to raise funds for the Foundation. Many of the Company's local and national suppliers are happy to support the Foundation and are very generous when approached to provide a raffle prize.

In addition to group events, individuals also push themselves to the limit in an effort to raise as much sponsorship as possible from their contacts and clients. The challenges taken up include: the London Marathon, the New York Marathon, the Sahara Marathon, cycling through Death Valley in California, climbing Mt Kilimanjaro, trekking to Mt Everest base camp, climbing Mt Aconcagua, trekking along part of the Great Wall of China, parachute jumps and many more.

2001 saw the Foundation's first national fundraising event, when teams from all the offices took part in the Three Peaks Challenge – climbing Ben Nevis, Scafell and Snowdon within 24 hours. This one event raised in excess of £200,000 (including the Company's matching). In 2002, an even more daunting challenge was met with 95 people attempting to scale 12 Welsh mountains in 12 hours. More than £160,000 was raised from this event alone.

Alongside these ad hoc fundraising initiatives, the Foundation has consistently promoted the benefits of Deeds of Covenant / Gift Aid and supported these by deductions from payroll and, in the case of Partners, deductions from their gross earnings. This has had two major benefits. Firstly, it provides regular monthly income to the Foundation; and secondly, the Foundation can reclaim the tax relief provided under the Deeds of Covenant / Gift Aid regimes.

By the end of 2002, over 87% of the St. James's Place community of 1,500 people were making regular monthly donations to the Foundation, either through Deed of Covenant or Gift Aid, demonstrating the commitment to the Foundation throughout the Company at every level. Over £319,000 of the money raised in 2002 was as a result of these regular monthly donations.

The funds raised by the The St. James's Place Foundation (and in its previous guise, The J. Rothschild Assurance Foundation) since 1992 has steadily risen and for the past two years has exceeded £1 million each year.

Until 1998 the Foundation was funded solely by members of staff and members of the St. James's Place Partnership through their support of such fundraising initiatives. In 1999, the shareholders of St. James's Place Capital agreed that, in future, the Company should match, pound for pound, all monies raised by the Foundation, with an upper limit of £500,000. In 2001, this resulted in funds raised exceeding £1 million in one year for the first time, an accomplishment that was repeated in 2002.

A COMMON GOAL

Supporting the Foundation's (fundraising) activities is a key corporate objective. The management team, from the top down, focus on this aspect of the Company's business, in much the same way as it does on other key objectives.

HOW DOES THE FOUNDATION AWARD GRANTS?

The Foundation's management committee, in consultation with the rest of the community, establish a "theme" framework for awarding grants. For the last seven years this "theme" has been "Cherishing the Children". Any charity that has a project in the UK that is for the direct benefit of mentally and / or physically disabled children, or those suffering from a life threatening or degenerative illness, can apply for a grant from the Foundation.

In addition to the grants awarded under the "theme", and largely as a result of the additional monies available to the Foundation from the Company's "matching" policy, the Foundation has been able to enter into a four year £500,000 commitment to Hope & Homes for Children, a UK based charity which provides family homes and other support for children orphaned by war or disaster. The first tranche of £125,000 in 2000 provided eight homes in Ukraine; the second tranche provided a similar number of homes in Belarus during 2001 and in 2002 homes were bought in both countries.

In 2001, the Foundation entered into an arrangement with the Variety Club of Great Britain whereby it will fund 21 Sunshine Coaches for children with disabilities at special schools / organisations located near to each of the Company's offices. This will entail a commitment approaching £400,000 in all. As at 31 December 2002, 6 coaches have been bought and are in use. It is hoped that a close and lasting relationship will be formed between the school / organisation and the members of the local offices.

Over £2,675,000 has been given in grants to the above causes since the Foundation was established just over ten years ago. In addition, the Foundation has approximately £1 million available for future distribution.

THE FUTURE

The Foundation is proud of what has been achieved over the past 11 years and looks forward to the challenge of sustaining and increasing its growth so that even more people may benefit from its success.

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