



ST. JAMES'S PLACE PLC

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**PRESS RELEASE**

31 July 2007

**INTERIM RESULTS  
FOR THE SIX MONTHS  
TO 30 JUNE 2007**

St. James's Place plc ("SJP"), the wealth management group, today announces its new business and financial results for the half year ended 30 June 2007.

The text of the announcement is attached:

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**ST. JAMES'S PLACE WEALTH MANAGEMENT**

**ANNOUNCES 2007 INTERIM RESULTS**

**SUBSTANTIAL GROWTH IN BOTH NEW BUSINESS AND OPERATING PROFIT**

**NEW BUSINESS UP 33%  
OPERATING PROFIT UP 50%**

Highlights of the interim results for the half year to 30 June 2007:

**New business:**

- Total new business of £213.5 million (on an APE basis) up 33%

**Profit – EEV basis:**

- Group operating profit at £120.7 million (2006: £80.3 million) up 50%
- New business profits of £71.5 million (2006: £51.5 million) up 39%
- Net asset value per share 239.6 pence (2006: 196.5 pence) up 22% over the twelve months

**– IFRS basis:**

- Profit before shareholder tax of £19.9 million (2006: £43.3 million)
- Net asset value per share 83.0 pence (2006: 68.1 pence) up 22% over the twelve months

**Interim Dividend:**

- Interim dividend increased to 1.75 pence per share up 17%

**Funds Under Management:**

- Funds under management increased to £17.3 billion since the start of the year up 12%

**St. James's Place Partnership** at 1,187 up 2.6% since the start of the year

**Mike Wilson, Chairman, commented:**

“We are delighted to report that the substantial growth in new business and profits over the last three years has continued in the first half of 2007.

“We are particularly pleased that total new single premiums were some £500 million higher for the first six months this year than in 2006, and increased by 41% from £1.18 billion to £1.67 billion.

“Although we face much stronger new business comparatives for the remainder of the year, as a result of the strong first half new business performance, the Board now expects (subject to no major change in circumstances), new business growth for the year to be at the top end of our longer term objective of 15 – 20% growth per annum.”

## **CONTENTS**

<b>PART ONE</b>	NEW BUSINESS FIGURES
<b>PART TWO</b>	CHAIRMAN'S STATEMENT AND FINANCIAL COMMENTARY
<b>PART THREE</b>	EUROPEAN EMBEDDED VALUE BASIS
<b>PART FOUR</b>	INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS

**ST. JAMES'S PLACE WEALTH MANAGEMENT  
NEW BUSINESS FIGURES  
FOR THE SIX MONTHS TO 30 JUNE 2007  
LONG TERM SAVINGS**

<b>NEW PREMIUMS</b>	<b>Unaudited 3 Months to 30 June 2007</b>			<b>Unaudited 6 Months to 30 June 2007</b>		
	<b>2007 £'m</b>	<b>2006 £'m</b>	<b>Change %</b>	<b>2007 £'m</b>	<b>2006 £'m</b>	<b>Change %</b>
<b>New Regular Premiums</b>						
<b>Pensions</b>	19.7	21.9	(10%)	36.7	31.2	18%
<b>Protection</b>	5.0	5.9	(15%)	9.8	11.5	(15%)
	<b>24.7</b>	<b>27.8</b>	<b>(11%)</b>	<b>46.5</b>	<b>42.7</b>	<b>9%</b>
<b>New Single Premiums</b>						
<b>Investment</b>	430.4	299.9	44%	781.2	588.8	33%
<b>Pensions</b>	247.5	161.0	54%	479.8	274.0	75%
	<b>677.9</b>	<b>460.9</b>	<b>47%</b>	<b>1,261.0</b>	<b>862.8</b>	<b>46%</b>
<b>Unit Trust Sales (including PEPs and ISAs)</b>	<b>231.3</b>	<b>176.1</b>	<b>31%</b>	<b>408.5</b>	<b>319.5</b>	<b>28%</b>

<b>NEW BUSINESS (RP + 1/10<sup>th</sup> SP)</b>	<b>Unaudited 3 Months to 30 June 2007</b>			<b>Unaudited 6 Months to 30 June 2007</b>		
	<b>2007 £'m</b>	<b>2006 £'m</b>	<b>Change %</b>	<b>2007 £'m</b>	<b>2006 £'m</b>	<b>Change %</b>
<b>Investment</b>	66.2	47.6	39%	119.0	90.8	31%
<b>Pensions</b>	44.5	38.0	17%	84.7	58.6	45%
<b>Protection</b>	5.0	5.9	(15%)	9.8	11.5	(15%)
<b>Total</b>	<b>115.7</b>	<b>91.5</b>	<b>26%</b>	<b>213.5</b>	<b>160.9</b>	<b>33%</b>

**ST. JAMES'S PLACE WEALTH MANAGEMENT  
OTHER WEALTH MANAGEMENT SERVICES  
KEY BUSINESS HIGHLIGHTS  
FOR THE SIX MONTHS TO 30 JUNE 2007  
Unaudited**

**Gross fees generated from additional wealth management services** **£16.8m up 8% (2006: £15.5m)**

**New Mortgage Advances** **£2,730.4m**

St. James's Place Bank £279.9m  
Other lenders £2,450.5m

**Portfolio Management Services**

New portfolios £24.6m

**Trust and Estate Planning Services**

Number of cases 282

**St. James's Place Bank – in-force business**

*Number of facilities	70,705
Number of accounts	29,263
Credit balances	£860.1m
Mortgages	£1,828.3m
Average mortgage value	£196.5k
Loans	£4.2m

\*Number of facilities denotes the number of individual mortgages, personal loans, credit cards, current accounts and savings accounts, where one client may hold a number of facilities. The average number of facilities per client is 2.4.

**ST. JAMES'S PLACE WEALTH MANAGEMENT  
NEW BUSINESS FIGURES  
FOR THE SIX MONTHS TO 30 JUNE 2007**

**Notes**

1. New business from long term savings is calculated in accordance with the standard industry measure of adding together new regular premiums and one-tenth of single premiums and unit trust sales ("APE").
2. Sales of manufactured business on an APE basis for the six months were 88% of the total reported (2006: 86%).

Sales of non-manufactured pensions including stakeholder by St. James's Place Partnership have been included in the reported figures under Pensions. These amount to £9.8 million regular premiums (2006: £9.5 million) and £22.0 million single premiums (2006: £29.5 million) for the six months to 30 June 2007. This equates to £12.0 million new business premiums (2006: £12.4 million).

Sales of annuities by St. James's Place Partnership have been included in the reported figures under Pensions. These amount to £36.9 million single premiums for the six months to 30 June 2007 (2006: £17.4 million) and equate to £3.7 million new business premiums (2006: £1.7 million).

Sales of protection business by St. James's Place Partnership through a panel of providers have been included in the reported figures under New Regular Premiums Protection. These amount to £5.7 million of new regular premiums (2006: £7.2 million) for the six months to 30 June 2007. This equates to £5.7 million new business premiums (2006: £7.2 million).

Sales of non-manufactured single premium investment business amounting to £39.0 million have been included in the reported figures under Investments for the six months to 30 June 2007 (2006: £5.3 million). This equates to £3.9 million new business premiums (2006: £0.5 million).

## CHAIRMAN'S STATEMENT

I am delighted to report that the substantial growth in new business and profits over the last three years has continued in the first half of 2007.

New business from long-term savings and investments (measured on an APE basis, the standard industry measure of annual premiums plus one tenth of single premiums) was £213.5 million up 33% and EEV operating profit of £120.7 million was up 50%.

### Financial Performance

The financial results have been presented on both an IFRS (International Financial Reporting Standards) basis and an EEV (European Embedded Value) basis. As shareholders will be aware, the Board believe that the EEV basis provides a more meaningful measure of the Group's performance.

On the IFRS basis the operating profit, before shareholder tax, was £19.9 million compared with £43.3 million for the prior year, which included a one-off amount of £22.6 million. The total pre-tax profit for the period increased from £48.0 million to £65.8 million.

On the EEV basis the pre-tax operating profit increased by 50% from £80.3 million to £120.7 million. Within this figure new business profit increased by 39% from £51.5 million to £71.5 million. The total pre-tax profit for the six months, including the investment variance, increased by 58% from £84.6 million to £133.6 million.

The Financial Commentary on pages 10 to 18 provides further details on the results for the period.

### Dividend

The strong performance and cash generation has continued during the first half of the year. Consequently the Board has resolved to increase the interim dividend by 17% to 1.75 pence per share. The dividend will be paid on 19 September 2007 to those shareholders on the register at the close of business on 10 August 2007.

Once again shareholders will be offered the alternative of a scrip dividend.

Barring unforeseen circumstances, shareholders can expect a similar increase in the full year dividend.

### New Business

New business for the six month period was up 33% at £213.5 million. This follows three consecutive years of growth (2004 – 2006) of 19%, 25% and 58% respectively.

Pensions new business was up 45% for the first six months and 17% for the second quarter, as we continue to benefit from the Pensions A Day changes introduced in April 2006.

Investment new business was up 31% for the first six months and 39% for the second quarter.

Total new single premiums were some £500 million higher for the first six months of this year than in 2006 and increased by 41% from £1.18 billion to £1.67 billion.

Our own manufactured products represented 88% of total APE, exceeding our stated objective of 80% and the 86% achieved for the corresponding period of 2006.

Gross fees from our other wealth management services for the six months increased by 8% to £16.8 million.

## **The St. James's Place Partnership**

The productivity per Partner for the first six months was £182,000 up from £140,000 for the comparative period. This represents a further increase in productivity of some 30% which follows on from the 61% productivity gain for the full year in 2006. Although productivity is at a record level the Board continues to believe that the quality of the Partnership provides for further growth in productivity.

The size of the Partnership grew by 30 to 1,187 at 30 June 2007, an increase of 2.6% for the six months. This keeps us on track to achieve our stated target of 5% growth in the number of Partners for the full year. We remain committed to only recruiting the highest quality financial advisers into the Partnership.

## **Investment management**

As at the half year, our total funds under management were £17.3 billion, up nearly £2 billion since the start of the year, and 28% higher than the same time in 2006.

The first half of 2007 has been challenging from an investment perspective. A succession of increases in interest rates around the world, renewed fears over inflation, concerns surrounding the sub-prime mortgage market in the US, the continued fall of the Dollar and weakness in the Japanese Yen all contributed to a more volatile and difficult environment for investment managers. Despite this, our investment approach continues to deliver strong returns to our clients over the longer term.

The launch of the new funds in January, which I mentioned in my last report, has been well received. The range of new managers and funds proved popular with ISA investors in the run up to the end of the 2006/07 tax year and we enjoyed our most successful ISA season and are now ranked as one of the top ten ISA providers in terms of funds under management in the UK.

Further developments, including more new funds providing further diversification for our clients, are planned for the second half of the year. We remain committed to evolving and improving the St. James's Place investment approach as our business grows.

## **Partners and Staff**

On behalf of the Board and shareholders I would like to thank the Partnership, our employees and the staff in our administration centres for their continued outstanding contribution to our results. The enthusiasm, commitment and dedication at every level is exceptional.

## **Board changes**

On 29 May 2007 we announced the appointment of David Bellamy as Chief Executive. David had been the Group's Managing Director over the last five years and had taken over the day-to-day running of the Group following the departure of the previous Chief Executive earlier this year.

His appointment followed a thorough search process conducted by the Nomination Committee, chaired by Michael Sorkin, the Senior Independent Director.

David's appointment is a reflection of the Board's confidence in his experience and proven management ability. David has been with St. James's Place since the Group's inception 15 years ago. His appointment has been widely welcomed both internally (by the Partnership and employees) and externally.

## **Outlook**

We said at the time of our first quarter new business announcement that, despite the 41% increase in that quarter's new business, we faced much stronger new business comparatives during the remainder of the year and that relative growth would be lower. This continues to be the case, although the growth of 26% achieved in the second quarter exceeded our expectations.

As a result of the strong first half new business the Board now expects (subject to no major change in circumstances) new business growth for the year to be at the top end of our longer term objective of 15-20% growth per annum.

The social, economic and demographic environment remains positive for our business. We are confident that the St. James's Place Partnership will enable us to capitalise on the rapidly expanding market for advice on wealth management.

Mike Wilson  
30 July 2007

## FINANCIAL COMMENTARY

The Financial Commentary is as usual presented in two sections: a section providing a commentary on the results presented on both an IFRS and EEV basis, and a second section covering other matters of interest to shareholders and investors.

### SECTION 1: COMMENTARY ON THE RESULTS

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The IFRS result is shown on pages 26 to 35. The table below shows the pre-tax profit of the Group on this basis.

	6 Months Ended 30 June 2007 <u>£' Million</u>	6 Months Ended 30 June 2006 <u>£' Million</u>	12 Months Ended 31 December 2006 <u>£' Million</u>
Life business	15.3	36.5	85.5
Unit trust business	8.6	8.9	18.0
Other	<u>(4.0)</u>	<u>(2.1)</u>	<u>(2.9)</u>
Operating profit	19.9	43.3	100.6
Profit on sale of LAHC	<u>-</u>	<u>-</u>	<u>7.0</u>
Profit before shareholder tax	19.9	43.3	107.6
Policyholder tax	<u>45.9</u>	<u>4.7</u>	<u>72.3</u>
Total pre-tax profit	65.8	48.0	179.9
Taxation:			
Tax on policyholders' return	<span style="border: 1px solid black; padding: 2px;">(45.9)</span>	<span style="border: 1px solid black; padding: 2px;">(4.7)</span>	<span style="border: 1px solid black; padding: 2px;">(72.3)</span>
Tax on shareholders' return	<span style="border: 1px solid black; padding: 2px;">8.4</span>	<span style="border: 1px solid black; padding: 2px;">(14.9)</span>	<span style="border: 1px solid black; padding: 2px;">(19.6)</span>
	<u>(37.5)</u>	<u>(19.6)</u>	<u>(91.9)</u>
Profit after tax	<u><u>28.3</u></u>	<u><u>28.4</u></u>	<u><u>88.0</u></u>

The IFRS result requires the pre-tax profit of the life business to be ‘grossed up’ for certain tax in the unit linked funds, with the corresponding amount then being deducted within the tax charge. This ‘grossing up’ does not reflect the shareholder return from the life business and consequently the results table above and the accompanying narrative have been presented after eliminating the ‘gross up’.

The IFRS result is further complicated by the interaction between policyholder and shareholder tax and therefore the profit before shareholder tax can be distorted by this interaction. In the second half of the year we will be exploring, in conjunction with our auditors, an alternative presentation of the policyholder / shareholder tax position to reduce any future distortion.

#### Life business

The pre-tax profit from the life business for the six months was £15.3 million compared with £36.5 million for the prior year. Shareholders will recall that the prior year figure was boosted by a one-off impact of £22.6 million in respect of tax relief on b/fwd expenses.

During the current year there has been a small change to the Group’s expense recharging mechanism that has resulted in a £2.0 million benefit in the current year.

Taking these points into account the current year profit is in line with the 2006 result.

**Unit Trust business**

The pre-tax profit from the unit trust business for the six months was £8.6 million in line with the prior year.

As noted above, there has been a small change in the Group's expense recharging mechanism which has resulted in some £2.0 million additional expenses being attributable to the unit trust business.

**Other**

Other operations contributed a loss for the period of £4.0 million, compared with a loss of £2.1 million for 2006. Included within the current year loss is a £5.9 million cost of expensing share options (2006: £2.2 million). The expected cost for the full year is in the region of £12.0 million (2006: £7.6 million).

As can be seen from the table above, the total pre-tax profit before shareholder tax for the six months is £19.9 million and after taking into account a tax credit of £8.4 million, the post tax profit attributable to shareholders is £28.3 million. This figure includes a £5.8 million benefit from the corporation tax rate reducing from 30% to 28% from April 2008. The prior year comparative of £28.4 million includes the one-off impact of £22.6 million noted earlier.

The total net assets were £394.0 million (31 December 2006: £382.2 million) resulting in a net asset value per share of 83.0 pence (31 December 2006: 82.4 pence).

## EUROPEAN EMBEDDED VALUE BASIS

The EEV result is shown on pages 19 to 25. The table below summarises the pre-tax profit of the combined business:

	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
Life business	96.7	64.3	139.0
Unit trust business	28.0	18.1	39.9
Other	(4.0)	(2.1)	(2.9)
<b>Operating profit</b>	<b>120.7</b>	<b>80.3</b>	<b>176.0</b>
Investment return	24.3	11.9	70.8
Economic assumption changes	(11.4)	(7.6)	(9.8)
<b>Profit from core business</b>	<b>133.6</b>	<b>84.6</b>	<b>237.0</b>
LAHC	-	-	7.0
<b>Total pre-tax profit</b>	<b>133.6</b>	<b>84.6</b>	<b>244.0</b>
Taxation:			
Normalised	(32.7)	(22.7)	(59.8)
Tax rate change	20.1	-	-
	(12.6)	(22.7)	(59.8)
<b>Profit after tax</b>	<b>121.0</b>	<b>61.9</b>	<b>184.2</b>

The operating profit for the period of £120.7 million was up 50% over the corresponding period of 2006. Within this figure new business profit increased by 39% from £51.5 million to £71.5 million. Total pre-tax profit at £133.6 million was up 58%.

### Life Business

Operating profit has increased by 50% from £64.3 million to £96.7 million and a full analysis of the result is shown on page 23.

The new business profit has increased by 54% to £53.3 million (2006: £34.6 million).

The growth in this figure is the result of the increased volumes, the favourable business mix, limiting establishment expense growth, together with a £2.0 million benefit from the change in the expense recharging mechanism noted earlier in this statement.

The experience variance during the period has increased operating profit by £6.5 million (2006: £0.4 million). As usual this figure reflects a combination of positives and negatives. The one variance worthy of note is that, following correspondence with HM Revenue & Customs, we have been able to obtain relief for prior years excess unrelieved foreign withholding tax which has resulted in a one-off benefit of £8.9 million.

The balance of the experience variance represents a number of small negative items.

### **Unit Trust Business**

The operating profit has increased from £18.1 million to £28.0 million, an increase of 55%, and a full analysis of the unit trust result is shown on page 23.

Within operating profit the new business profit has increased by 8% to £18.2 million from £16.9 million for the prior year, reflecting the stronger new business during the period. The current year operating and new business profit figures include some £2.0 million of additional expenses resulting from the change in the expense recharging mechanism.

Following the implementation of the FSA Prudential Sourcebook for UCITS Firms (UPRU) with effect from 2007, the minimum solvency capital for the Company has increased by some £4.0 million. As the EEV includes a reduction for the cost of holding the required capital, the result has been reduced in the first half of the year by £0.9 million to reflect this additional capital requirement. This cost has been included within the experience variance.

### **Other**

The loss from other operations has previously been commented on in the IFRS section.

### **Investment Return**

The investment return reflects the average after tax increase in our fund prices over and above that assumed in the calculation of the embedded value. During 2007 this average after tax increase was some 2 – 3% higher than the return assumed resulting in a positive investment return of £24.3 million (2006: £11.9 million reflecting 1 – 3% higher return than assumed).

### **Economic Assumption Change**

Gilt yields have increased by 0.8% since the start of the year impacting the economic assumptions underlying the embedded value. This has resulted in a reduction in the embedded value of £11.4 million (2006: a reduction of £7.6 million following an increase in the gilt yields of 0.6%).

The total pre-tax profit for the six months was £133.6 million compared with £84.6 million for the prior year, an increase of some 58%.

### **Corporation Tax Change**

The 2007 Finance Bill has now been substantially enacted and within the provisions of the Bill the Corporation tax rate will be reduced to 28% from 1 April 2008. Consequently, as the future margins from the in-force business emerge as statutory profit, they will in future be taxed at the lower corporation tax rate. The capitalised effect of the reduced future taxation is £20.1 million and has been shown separately in the analysis of the tax charge.

The total net assets on an EEV basis were £1,137.2 million (31 December 2006: £1,032.7 million) resulting in a net asset value per share of 239.6 pence (31 December 2006: 222.6 pence).

## **SECTION 2: OTHER MATTERS**

Noted below are a number of issues about the Group that are of interest to shareholders.

### **(i) New business margin**

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

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

The PVNBP calculation only includes our manufactured business as it is not sensible to apply the principles to the non-manufactured business. Noted in the table below is the new business margin calculated both as a % of APE and PVNBP. The development of the new business margin, measured as new business profit divided by APE, is detailed in the following tables:

<u>Life business</u>	6 Months Ended 30 June 2007	6 Months Ended 30 June 2006	12 Months Ended 31 December 2006
New business profit (£' m)	53.3	34.6	87.6
APE (£' m)	172.7	129.0	294.6
New business margin (%)	<u>30.9</u>	<u>26.8</u>	<u>29.7</u>
PVNBP (£' m)	1,272.9	892.9	2,124.1
Margin (%)	<u>4.2</u>	<u>3.9</u>	<u>4.1</u>
<u>Unit trust business</u>	6 Months Ended 30 June 2007	6 Months Ended 30 June 2006	12 Months Ended 31 December 2006
New business profit (£' m)	18.2	16.9	27.6
APE (£' m)	40.8	31.9	54.5
New business margin (%)	<u>44.6</u>	<u>52.9</u>	<u>50.6</u>
PVNBP (£' m)	408.5	319.5	534.2
Margin (%)	<u>4.4</u>	<u>5.2</u>	<u>5.2</u>
<u>Total business</u>	6 Months Ended 30 June 2007	6 Months Ended 30 June 2006	12 Months Ended 31 December 2006
New business profit (£' m)	71.5	51.5	115.2
APE (£' m)	213.5	160.9	349.1
New business margin (%)	<u>33.5</u>	<u>32.0</u>	<u>33.0</u>
PVNBP (£' m)	1,681.4	1,212.4	2,658.3
Margin (%)	<u>4.3</u>	<u>4.2</u>	<u>4.3</u>

The total new business margin expanded to 33.5% from 33% achieved for the 2006 full year and from the 32% in the first half of 2006.

Total new business margin has been beneficially affected by the rate of growth in new business, the proportion of manufactured business, the underlying business mix and by maintaining the growth in the level of expenses to well below the growth in new business. The new business margin by product line has in addition been affected by the change to the expense recharges commented on earlier.

## (ii) Expenses

This section provides a reminder to shareholders of categories and nature of expenditure incurred.

Shareholders will recall that “commission, investment expenses and third party administration costs” are met from corresponding policy margins. Any variation in these costs flowing from changes in the volumes of new business or the level of the stock markets does not directly impact the profitability of the Company.

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

“Establishment costs” are the running costs of the Group’s infrastructure and are relatively fixed in nature in the short term.

The “contribution from third party product sales” reflects the net income received from other wealth management services of £3.2 million (2006: £2.9 million), sales of stakeholder products of £0.4 million (2006: £0.5 million) and sales through the Protection Panel of £3.8 million (2006: £4.9 million).

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

### Table of Expenditure

	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
<i>Paid from policy margins</i>			
Commission	92.6	76.7	167.2
Investment expenses	32.8	25.0	55.7
Third party administration	12.2	9.8	20.9
	<u>137.6</u>	<u>111.5</u>	<u>243.8</u>
<i>Management expenses</i>			
Other related new business costs	20.3	15.3	35.4
Establishment costs	44.4	41.2	86.2
Contribution from third party product sales	(7.4)	(8.3)	(17.7)
	<u>57.3</u>	<u>48.2</u>	<u>103.9</u>
	<u><u>194.9</u></u>	<u><u>159.7</u></u>	<u><u>347.7</u></u>

As indicated in the 2006 full year Financial Commentary, we have set a target of maintaining the growth in the establishment expenses to less than 10%, resulting in a gap of 5 – 10% between the new business growth and expense growth.

The establishment expense growth for the six months was 7.8% and the gap between the new business growth and the expense growth was some 25%. Consequently, as shown above, the new business margin expanded.

Shareholders should be aware that if new business growth for the remainder of the year continues to be well above our 15 – 20% stated objective, then establishment expense growth is likely to exceed our 5 - 10% target. However the gap between expense and new business growth will exceed our stated objective.

### (iii) Cashflow

In my Financial Commentary in the 2006 Annual Report, I provided new disclosure on the underlying cashflow of the Group and this has been repeated for the half year below. The information is provided post tax.

It is first necessary to adjust the post tax IFRS profits for the 'non- cash' items to obtain an adjusted post tax figure which is more representative of the underlying cashflow of the business.

The table below sets out these adjustments:

	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
Post tax IFRS result	28.3	28.4	88.0
Adjustments			
Movement in deferred acquisitions cost	(43.8)	(29.6)	(68.6)
Movement in deferred income	27.0	18.8	42.2
Amortisation of purchased VIF	1.6	1.6	3.1
Movement in financial reassurance balance	-	-	(8.9)
Release of LAHC provision	-	-	(7.0)
Share option expense	5.9	2.2	7.6
Movement in deferred tax asset	(10.4)	0.3	(13.3)
Movement in deferred tax liability*	3.0	10.9	23.2
Other	1.5	(3.3)	(0.9)
Adjusted post tax cashflow	<u>13.1</u>	<u>29.3</u>	<u>65.4</u>

\* excluding amounts in respect of the unit linked funds

Taking account of these non-cash adjustments the Group generated positive cashflow of £13.1 million during the first six months (2006: £29.3 million). The table and commentary below provide an indicative unaudited analysis of the sources of this cashflow.

	Note	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
Net annual management fee	1	60.3	43.8	93.2
Unwind of surrender penalties	2	(21.8)	(15.9)	(32.6)
Loss / profit arising on new business	3	(4.7)	2.8	1.9
Establishment expenses	4	(32.5)	(29.7)	(62.1)
Investment income	5	4.5	2.8	9.4
Miscellaneous	6	7.3	2.9	12.1
Underlying cash flow		13.1	6.7	21.9
Tax relief on b/fwd expenses	7	-	22.6	22.6
FSA reserving change	8	-	-	20.9
Post tax cashflow		<u>13.1</u>	<u>29.3</u>	<u>65.4</u>

The underlying cash flow of the Group increased from £6.7 million in 2006 to £13.1 million in the current year.

The increased level of pension business during the current year has resulted in an initial cash loss for the six months of £4.7 million.

#### Notes

1. The net annual management fee: this is the income on the funds under management that the Group retains after payment of the associated costs. Broadly speaking the Group retains around 1% pre-tax of funds under management.
2. Unwind of surrender penalties: this relates to the reserving methodology applied to the surrender penalties within the charging structure of the single premium life bonds. At the outset of the life bond we establish a liability net of the outstanding surrender penalty which would apply if the policy were to be encashed. As the surrender penalty reduces to zero so the liability to the policyholder is enhanced by increasing their funds by 1% per annum over the first six years of the product life, to correspond to this 'unwind' of the surrender penalty. In other words there is a cash transfer from the shareholder to the policyholder.
3. Loss / profit arising from new business: this is the cash flow arising in the year after taking into account the directly attributable expenses.
4. Establishment expenses: these are the post tax expenses commented on in point (ii) above and represent the running costs of the Group's infrastructure.
5. Investment income: this is the income accruing on the investments and cash held for regulatory purposes together with the interest received on the surplus capital held by the Group.
6. Miscellaneous: this represents the cashflow of the business not covered in any of the other categories. It will include miscellaneous product charges, reserving changes, experience variances and the income and expenses included within the Other operations of the business.
7. Tax relief on expenses b/fwd: during the first half of 2006 we obtained tax relief for some expenses brought forward, which gave rise to positive cashflow of £22.6 million.
8. The adoption of the FSA reserving changes in the second half of 2006 resulted in the one-off increase of £20.9 million.

#### **(iv) Analysis of Embedded Value**

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

	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
Value of in-force			
- Life	682.9	549.4	590.8
- Unit trust	192.8	150.7	171.5
Net assets	261.5	199.7	270.4
	<u>1,137.2</u>	<u>899.8</u>	<u>1,032.7</u>

(v) **Share options maturity**

Options outstanding under the various share option schemes at 30 June 2007 amount to 38.5 million (31 December 2006: 46.2 million).

The total number of options including those in the SJP Employee Trust, together with their anticipated proceeds are set out in the table below:

<b>Earliest date of exercise</b>	<b>Average exercise price</b>	<b>Number of share options outstanding</b>	<b>Anticipated proceeds</b>
	<u>£</u>	<u>Million</u>	<u>£' Million</u>
Immediate	1.71	13.4	22.8
Jul – Dec 2007	1.55	4.2	6.6
Jan – Jun 2008	1.05	2.3	2.4
Jul – Dec 2008	1.83	0.4	0.8
Jan – Jun 2009	2.24	1.1	2.4
Jul – Dec 2009	2.75	16.2	44.5
Jan – Jun 2010	2.84	0.7	2.1
Jul – Dec 2010	2.57	0.2	0.5
		<u>38.5</u>	<u>82.1</u>

Andrew Croft  
30 July 2007

**EUROPEAN EMBEDDED VALUE BASIS**

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

**CONSOLIDATED INCOME STATEMENT**

	6 Months Ended 30 June 2007 <hr/> £' Million	6 Months Ended 30 June 2006 <hr/> £' Million	12 Months Ended 31 December 2006 <hr/> £' Million
Life business	96.7	64.3	139.0
Unit trust business	28.0	18.1	39.9
Other	(4.0)	(2.1)	(2.9)
<b>Operating profit</b>	<b>120.7</b>	<b>80.3</b>	<b>176.0</b>
Investment return variances	24.3	11.9	70.8
Economic assumption changes	(11.4)	(7.6)	(9.8)
<b>Profit from core business</b>	<b>133.6</b>	<b>84.6</b>	<b>237.0</b>
Profit on sale of LAHC	-	-	7.0
<b>EEV profit on ordinary activities before tax</b>	<b>133.6</b>	<b>84.6</b>	<b>244.0</b>
<b>Tax</b>			
Life business	(25.9)	(16.4)	(46.5)
Unit trust business	(9.9)	(7.3)	(19.4)
Other	3.1	1.0	6.1
LAHC	-	-	-
Tax rate change	20.1	-	-
	<hr/> (12.6)	<hr/> (22.7)	<hr/> (59.8)
<b>EEV profit on ordinary activities after tax</b>	<b>121.0</b>	<b>61.9</b>	<b>184.2</b>
<b>Dividends</b>	<b>39.4</b>	<b>8.3</b>	<b>15.1</b>
Proposed dividend per share	1.75	1.5	3.65
Basic earnings per share	26.1	13.8	40.7
Diluted earnings per share	24.7	13.1	38.5

**EUROPEAN EMBEDDED VALUE BASIS  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	6 Months Ended 30 June 2007	6 Months Ended 30 June 2006	12 Months Ended 31 December 2006
	<u>£' Million</u>	<u>£' Million</u>	<u>£' Million</u>
<b>Opening equity shareholders' funds on an EEV basis</b>	1,032.7	828.8	828.8
Post-tax profit for the year	121.0	61.9	184.2
Dividends	(39.4)	(8.3)	(15.1)
Issue of share capital	23.7	18.3	30.3
Consideration paid for own shares	(7.7)	(5.4)	(5.4)
P & L reserve credit in respect of share option charges	5.9	2.2	7.6
P & L reserve credit in respect of proceeds from exercise of share options for shares held in trust	1.0	2.3	2.3
<b>Closing equity shareholders' funds on an EEV basis</b>	<u>1,137.2</u>	<u>899.8</u>	<u>1,032.7</u>

## EUROPEAN EMBEDDED VALUE BASIS

### CONSOLIDATED BALANCE SHEET

	30 June 2007 <u>£' Million</u>	30 June 2006 <u>£' Million</u>	31 December 2006 <u>£' Million</u>
<b>Assets</b>			
Intangible assets			
Deferred acquisition costs	437.4	354.6	393.6
Value of long-term business in-force			
- long-term insurance	595.6	483.3	524.1
- unit trusts	192.8	150.7	171.5
	<u>1,225.8</u>	<u>988.6</u>	<u>1,089.2</u>
Property & equipment	6.2	6.5	6.3
Deferred tax assets	94.2	70.2	83.8
Investment property	708.4	397.9	568.2
Investments	11,999.8	9,210.6	10,573.8
Reinsurance assets	31.7	81.1	28.3
Insurance contract receivables	11.9	12.5	11.5
Income tax assets	30.5	20.0	9.7
Other receivables	166.4	116.5	87.1
Cash & cash equivalents	1,593.9	1,480.2	1,606.9
	<u>1,593.9</u>	<u>1,480.2</u>	<u>1,606.9</u>
<b>Total assets</b>	<u>15,868.8</u>	<u>12,384.1</u>	<u>14,064.8</u>
<b>Liabilities</b>			
Insurance contract liability provisions	401.8	438.8	374.3
Other provisions	3.3	9.3	3.1
Financial liabilities	13,300.5	10,269.8	11,833.0
Deferred tax liabilities	279.9	202.9	258.4
Reinsurance payables	-	8.9	-
Payables related to direct insurance contracts	33.0	24.3	18.5
Deferred income	318.9	268.5	291.9
Income tax liabilities	35.7	13.7	19.9
Other payables	144.1	140.5	100.5
Net asset value attributable to unit holders	214.4	107.6	132.5
	<u>214.4</u>	<u>107.6</u>	<u>132.5</u>
<b>Total liabilities</b>	<u>14,731.6</u>	<u>11,484.3</u>	<u>13,032.1</u>
<b>Net assets</b>	<u>1,137.2</u>	<u>899.8</u>	<u>1,032.7</u>
<b>Shareholders' equity</b>			
Share capital	71.2	68.7	69.6
Share premium	79.5	46.3	57.4
Other reserves	986.5	784.8	905.7
	<u>986.5</u>	<u>784.8</u>	<u>905.7</u>
<b>Total shareholders' equity</b>	<u>1,137.2</u>	<u>899.8</u>	<u>1,032.7</u>
	Pence	Pence	Pence
<b>Net assets per share</b>	239.6	196.5	222.6

## NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS

### I. BASIS OF PREPARATION

The interim supplementary information on pages 19 to 25 shows the Group's results for the six months ended 30 June 2007 as measured on a European Embedded Value (EEV) basis with reduced disclosure, for interim reporting purposes, from that which would be required under the EEV Principles. The results of the life, pension and investment business, including unit trust business, undertaken by the Group are measured on a basis determined in accordance with the EEV Principles issued in May 2004 by the Chief Financial Officers Forum, a group of chief financial officers from 19 major European insurers, as supplemented by the Additional Guidance on EEV disclosures in October 2005 (together "the EEV Principles"). The treatment of all other transactions and balances is unchanged from the statutory financial statements which are prepared on an IFRS basis. The objective of the interim supplementary information is to provide shareholders with more realistic information on the financial position and performance of the Group than that provided by the IFRS basis.

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

### II. METHODOLOGY AND ASSUMPTIONS

The methodology used to derive the European Embedded Values at both June 2006 and June 2007 is unchanged from that used at the end of 2006 and set out in detail on pages 118 to 120 of the 2006 Report and Accounts.

Apart from the assumptions set out below, there have been no changes to assumptions from those used at the end of 2006 and set out in detail on page 120 and 121 of the 2006 Report and Accounts.

#### a). Economic Assumptions

The principal economic assumptions used within the cash flows at 30 June 2007 are set out below.

	30 June 2007	30 June 2006	31 December 2006
Risk free rate	5.7%	4.9%	4.9%
Inflation rate	3.3%	3.1%	3.0%
Risk discount rate (net of tax)	8.8%	8.0%	8.0%
Future investment returns:			
- Gilts	5.7%	4.9%	4.9%
- Equities	8.7%	7.9%	7.9%
- Unit-linked funds:			
- Capital growth	4.8%	4.5%	4.5%
- Dividend income	3.2%	2.8%	2.8%
- Total	<u>8.0%</u>	<u>7.3%</u>	<u>7.3%</u>
Expense inflation	3.9%	4.6%	3.6%
Indexation of capital gains	2.4%	2.2%	2.2%

The risk free rate is set by reference to the yield on 10 year gilts. The other investment returns are set by reference to these. The inflation rate is derived from the implicit inflation in the valuation of 10 year index-linked gilts. This rate is increased by 1.5%, to reflect higher increases in earnings and the expense inflation assumption is calculated as 80% of earnings inflation. The rate is reduced by 10% to derive the indexation of capital gains for the proportion of the fund invested in equities.

## NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

### b). Taxation

Following the change in future taxation enacted in the 2007 Budget, the corporation tax rate used for grossing up UK life and pensions business has changed from 28% to 26% and unit trust business from 30% to 28%.

### III. COMPONENTS OF LIFE AND UNIT TRUST EEV PROFIT

Life business	6 Months Ended 30 June 2007 <u>£' Million</u>	6 Months Ended 30 June 2006 <u>£' Million</u>	12 Months Ended 31 December 2006 <u>£' Million</u>
New business contribution	53.3	34.6	87.6
Profit from existing business			
Unwind of discount rate	33.7	26.9	50.3
Experience variance	6.5	0.4	(2.6)
Operating assumption changes	(0.3)	-	(2.4)
Investment income	3.5	2.4	6.1
<b>Life operating profit before tax</b>	<u>96.7</u>	<u>64.3</u>	<u>139.0</u>
Investment return variances	16.2	6.3	46.8
Economic assumption changes	(10.6)	(8.3)	(10.6)
<b>Life profit before tax</b>	<u>102.3</u>	<u>62.3</u>	<u>175.2</u>
Attributed tax	(25.9)	(16.4)	(46.5)
Tax rate change	15.8	-	-
<b>Life profit after tax</b>	<u>92.2</u>	<u>45.9</u>	<u>128.7</u>

New business contribution after tax is £39.5 million (30 June 2006: £25.3 million).

Unit trust business	6 Months Ended 30 June 2007 <u>£' Million</u>	6 Months Ended 30 June 2006 <u>£' Million</u>	12 Months Ended 31 December 2006 <u>£' Million</u>
New business contribution	18.2	16.9	27.6
Profit from existing business			
Unwind of discount rate	9.9	7.6	15.2
Experience variances	(0.2)	(2.2)	0.2
Operating assumption changes	0.1	(4.2)	(3.1)
<b>Unit trust operating profit before tax</b>	<u>28.0</u>	<u>18.1</u>	<u>39.9</u>
Investment return variances	8.1	5.6	24.0
Economic assumption changes	(0.8)	0.7	0.8
<b>Unit trust profit before tax</b>	<u>35.3</u>	<u>24.4</u>	<u>64.7</u>
Attributed tax	(9.9)	(7.3)	(19.4)
Tax rate change	4.3	-	-
<b>Unit trust profit after tax</b>	<u>29.7</u>	<u>17.1</u>	<u>45.3</u>

New business contribution after tax is £13.1 million (30 June 2006: £11.8 million).

## NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

Combined life and unit trust business	6 Months Ended 30 June 2007 <u>£' Million</u>	6 Months Ended 30 June 2006 <u>£' Million</u>	12 Months Ended 31 December 2006 <u>£' Million</u>
New business contribution	71.5	51.5	115.2
Profit from existing business			
Unwind of discount rate	43.6	34.5	65.5
Experience variances	6.3	(1.8)	(2.4)
Operating assumption changes	(0.2)	(4.2)	(5.5)
Investment income	3.5	2.4	6.1
<b>Operating profit before tax</b>	<u>124.7</u>	<u>82.4</u>	<u>178.9</u>
Investment return variances	24.3	11.9	70.8
Economic assumption changes	(11.4)	(7.6)	(9.8)
<b>Profit before tax</b>	<u>137.6</u>	<u>86.7</u>	<u>239.9</u>
Attributed tax	(35.8)	(23.7)	(65.9)
Tax rate change	20.1	-	-
<b>Profit after tax</b>	<u>121.9</u>	<u>63.0</u>	<u>174.0</u>

New business contribution after tax is £52.6 million (30 June 2006: £37.1 million).

#### IV. SENSITIVITIES

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

	Note	Change in new business contribution		Change in European Embedded Value
		<u>Pre-tax</u> £' Million	<u>Post-tax</u> £' Million	<u>Post-tax</u> £' Million
<b>Value at 30 June 2007</b>		71.5	52.6	1,137.2
100bp reduction in risk rate discount	1	8.6	6.2	69.4
100bp reduction in risk free rates, with corresponding change in fixed interest asset values		(0.3)	(0.2)	(0.6)
10% reduction in withdrawal rates		5.5	4.0	52.2
10% reduction in expenses		0.9	0.7	12.1
10% reduction in market value of equity assets		-	-	(92.6)
5% reduction in mortality and morbidity	2	0.4	0.3	5.2
100bp increase in equity expected returns	3	-	-	-

## NOTES TO THE EUROPEAN EMBEDDED VALUE BASIS (continued)

Note 1: Although not directly relevant under a market-consistent valuation where the risk discount rate is a derived disclosure only, this sensitivity shows the level of adjustment which would be required to reflect differing investor views of risk.

Note 2: Assumes the benefit of lower experience is passed on to clients and reinsurers at the earliest opportunity.

Note 3: As a market consistent approach is used, equity expected returns only affect the derived discount rates and not the embedded value or contribution to profit from new business.

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

	30 June 2007	30 June 2006	31 December 2006
	£' Million	£' Million	£' Million
<b>IFRS profit before tax</b>	65.8	48.0	179.9
Movement in life value of in-force	41.1	21.5	17.4
Movement in unit trust value of in-force	26.7	15.1	46.7
<b>Total EEV profit before tax</b>	<u>133.6</u>	<u>84.6</u>	<u>244.0</u>
<b>IFRS net assets</b>	394.0	312.0	382.2
Less: acquired value of in-force	(62.7)	(65.8)	(64.3)
Add: deferred tax on acquired value of in-force	17.5	19.6	19.2
Add: life value of in-force	595.6	483.3	524.1
Add: unit trust value of in-force	192.8	150.7	171.5
<b>EEV net assets</b>	<u>1,137.2</u>	<u>899.8</u>	<u>1,032.7</u>

**INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS  
CONSOLIDATED INCOME STATEMENT**

	Note	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
Insurance premium revenue		45.7	47.9	101.2
Less premiums ceded to reinsurers		(13.8)	(14.7)	(33.8)
<b>Net insurance premium revenue</b>		<u>31.9</u>	<u>33.2</u>	<u>67.4</u>
Fee and commission income		44.3	44.3	87.6
Profit on sale of investment in Life Assurance Holding Corporation		-	-	7.0
Other investment income		931.7	480.5	1,519.3
<b>Total investment income</b>		<u>931.7</u>	<u>480.5</u>	<u>1,526.3</u>
Other operating income		2.1	2.5	1.8
<b>Net income</b>	2	<u>1,010.0</u>	<u>560.5</u>	<u>1,683.1</u>
Policy claims and benefits incurred		(27.5)	(32.4)	(58.2)
Less reinsurance recoveries		10.1	14.4	23.1
<b>Net policyholder claims and benefits incurred</b>		<u>(17.4)</u>	<u>(18.0)</u>	<u>(35.1)</u>
Change in insurance contract liabilities				
Gross amount		(25.1)	(1.8)	62.0
Reinsurers' share		3.0	0.8	(41.0)
<b>Net change in insurance contract liabilities</b>		<u>(22.1)</u>	<u>(1.0)</u>	<u>21.0</u>
<b>Investment contract benefits</b>		(720.4)	(331.4)	(1,139.3)
Fees, commission and other acquisition costs		(135.8)	(122.2)	(260.6)
Administration expenses		(46.9)	(38.3)	(86.1)
Other operating expenses		(1.6)	(1.6)	(3.1)
		<u>(184.3)</u>	<u>(162.1)</u>	<u>(349.8)</u>
<b>Operating profit</b>	2	<u>65.8</u>	<u>48.0</u>	<u>179.9</u>
Financing costs		-	-	-
<b>Profit before tax</b>	2	<u>65.8</u>	<u>48.0</u>	<u>179.9</u>
Tax on policyholders' return	3	(45.9)	(4.7)	(72.3)
Tax on shareholders' return	3	8.4	(14.9)	(19.6)
Total tax expense		<u>(37.5)</u>	<u>(19.6)</u>	<u>(91.9)</u>
<b>Profit for period attributable to shareholders</b>	2	<u>28.3</u>	<u>28.4</u>	<u>88.0</u>
<b>Dividends</b>	4	39.4	8.3	15.1
		Pence	Pence	Pence
Proposed dividend per share	4	1.75	1.5	3.65
Basic earnings per share	5	6.1	6.3	19.4
Diluted earnings per share	5	5.8	6.0	18.4

**INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Note	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
<b>Opening equity shareholders' funds</b>		382.2	274.5	274.5
Profit for the financial period, being total recognised income for the financial period		28.3	28.4	88.0
Dividends	4	(39.4)	(8.3)	(15.1)
Issue of share capital				
Scrip dividend		10.5	6.3	11.1
Exercise of share options		13.2	12.0	19.2
Consideration paid for own shares		(7.7)	(5.4)	(5.4)
P & L reserve credit in respect of share option charges		5.9	2.2	7.6
P & L reserve credit in respect of proceeds from exercise of share options for shares held in trust		1.0	2.3	2.3
<b>Net increase to shareholders' funds</b>		<u>11.8</u>	<u>37.5</u>	<u>107.7</u>
<b>Closing equity shareholders' funds</b>		<u><u>394.0</u></u>	<u><u>312.0</u></u>	<u><u>382.2</u></u>

**INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS  
CONSOLIDATED BALANCE SHEET**

	Note	30 June 2007	30 June 2006	31 December 2006
		£' Million	£' Million	£' Million
<b>Assets</b>				
Intangible assets				
Deferred acquisition costs	7	437.4	354.6	393.6
Acquired value of in force business		62.7	65.8	64.3
		<u>500.1</u>	<u>420.4</u>	<u>457.9</u>
Property & equipment		6.2	6.5	6.3
Deferred tax assets	8	94.2	70.2	83.8
Investment property		708.4	397.9	568.2
Investments				
Equities		10,416.4	7,802.1	9,014.5
Fixed income securities		655.5	629.6	595.2
Investment in Collective Investment Schemes		927.1	778.5	963.9
Currency forwards		0.8	0.4	0.2
Reinsurance assets		31.7	81.1	28.3
Insurance contract receivables		11.9	12.5	11.5
Income tax assets		30.5	20.0	9.7
Other receivables		166.4	116.5	87.1
Cash & cash equivalents		<u>1,593.9</u>	<u>1,480.2</u>	<u>1,606.9</u>
<b>Total assets</b>		<u>15,143.1</u>	<u>11,815.9</u>	<u>13,433.5</u>
<b>Liabilities</b>				
Insurance contract liability provisions				
Other provisions	9	3.3	9.3	3.1
Financial liabilities				
Investment contracts		13,288.2	10,254.0	11,819.8
Borrowings		12.3	15.4	13.1
Currency forwards		-	0.4	0.1
Deferred tax liabilities	10	297.4	222.5	277.6
Reinsurance payables		-	8.9	-
Payables related to direct insurance contracts		33.0	24.3	18.5
Deferred income	11	318.9	268.5	291.9
Income tax liabilities		35.7	13.7	19.9
Other payables		144.1	140.5	100.5
Net asset value attributable to unit holders		<u>214.4</u>	<u>107.6</u>	<u>132.5</u>
<b>Total liabilities</b>		<u>14,749.1</u>	<u>11,503.9</u>	<u>13,051.3</u>
<b>Net assets</b>		<u>394.0</u>	<u>312.0</u>	<u>382.2</u>
<b>Shareholders' equity</b>				
Share capital	12	71.2	68.7	69.6
Share premium		79.5	46.3	57.4
Other reserves		(12.2)	(8.2)	(8.4)
Retained earnings		<u>255.5</u>	<u>205.2</u>	<u>263.6</u>
<b>Total shareholders' equity</b>		<u>394.0</u>	<u>312.0</u>	<u>382.2</u>
<b>Net assets per share</b>		Pence 83.0	Pence 68.1	Pence 82.4

**INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS  
CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	Year Ended 31 December 2006 £' Million
<b>Cash flows from operating activities</b>			
Profit before tax for the period	65.8	48.0	179.9
Adjustments for:			
Depreciation	1.1	1.4	2.5
Amortisation of acquired value of in-force business	1.6	1.6	3.1
Fair value gains on non-operating investments	-	-	(0.1)
P & L reserve credit in respect of share option charges	5.9	2.2	7.6
Profit on sale of investment	-	-	(7.0)
<b>Changes in operating assets and liabilities</b>			
Increase in deferred acquisition costs	(43.8)	(29.6)	(68.6)
Increase in investment property	(140.2)	(78.5)	(248.8)
Increase in investments	(1,426.0)	(737.0)	(2,100.2)
(Increase) / decrease in reinsurance assets	(3.4)	(3.2)	49.6
(Increase) / decrease in insurance contract receivables	(0.4)	2.6	3.6
Increase in other receivables	(91.9)	(23.6)	(3.5)
Increase / (decrease) in insurance contract liability provisions	27.5	8.2	(56.3)
Increase / (decrease) in provisions	0.2	(0.3)	0.5
Increase in financial liabilities (excluding borrowings)	1,468.3	840.0	2,405.5
Decrease in reinsurance liabilities	-	-	(8.9)
Increase/ (decrease) in payables related to direct insurance contracts	14.5	4.8	(1.0)
Increase in deferred income	27.0	18.8	42.2
Increase in other payables	43.6	69.0	29.1
Increase in net assets attributable to unit holders	81.9	15.3	40.2
<b>Cash generated from operations</b>	31.7	139.7	269.4
Income taxes paid	(20.5)	(0.4)	(9.3)
<b>Net cash from operating activities</b>	11.2	139.3	260.1
<b>Cash flows from investing activities</b>			
Acquisition of property & equipment	(1.1)	(2.0)	(3.0)
Proceeds from sale of plant & equipment	0.1	0.1	0.2
Investments:			
Proceeds from sale	-	-	3.9
<b>Net cash from investing activities</b>	(1.0)	(1.9)	1.1
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	23.7	12.0	30.3
Consideration paid for own shares	(7.7)	(5.4)	(5.4)
Proceeds from exercise of options over shares held in trust	1.0	2.3	2.3
Repayment of borrowings	(0.8)	(1.8)	(4.1)
Dividends paid	(39.4)	(2.0)	(15.1)
<b>Net cash from financing activities</b>	(23.2)	5.1	8.0
Net (decrease) / increase in cash & cash equivalents	(13.0)	142.5	269.2
Cash & cash equivalents at 1 January	1,606.9	1,337.7	1,337.7
<b>Cash &amp; cash equivalents</b>	1,593.9	1,480.2	1,606.9

**INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS  
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1. BASIS OF PREPARATION**

The consolidated interim financial statements for the six months ended 30 June 2007 comprise the interim financial statements of St. James's Place plc (the "Company") and its subsidiaries (together referred to as the "Group").

This interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2006.

**2. SEGMENT REPORTING**

<b>Net Income</b>	6 Months Ended 30 June 2007 <hr/> £' Million	6 Months Ended 30 June 2006 <hr/> £' Million	12 Months Ended 31 December 2006 <hr/> £' Million
Life business			
Net insurance premium income	31.9	33.2	67.4
Net movement on deferred income	(11.4)	(8.0)	(23.3)
Investment income – unit linked policyholders <sup>(i)</sup>	916.7	479.2	1,503.9
<b>Total life business</b>	<hr/> 937.2	<hr/> 504.4	<hr/> 1,548.0
Unit trust business			
Fee income (excluding deferred income)	43.3	34.2	67.7
Movement on deferred income	(15.6)	(10.8)	(18.9)
<b>Total unit trust business</b>	<hr/> 27.7	<hr/> 23.4	<hr/> 48.8
Other business			
Commission income	28.0	28.9	62.1
Investment income – sale of investment in LAHC	-	-	7.0
Investment income – other shareholders	4.0	3.1	6.7
Investment income – other <sup>(ii)</sup>	11.0	(1.8)	8.7
Other operating income	2.1	2.5	1.8
<b>Total other business</b>	<hr/> 45.1	<hr/> 32.7	<hr/> 86.3
<b>Total net income</b>	<hr/> <hr/> 1,010.0	<hr/> <hr/> 560.5	<hr/> <hr/> 1,683.1

(i) The investment return disclosed for the 6 months ended 30 June 2006 has been grossed up to reflect the cost of investment transactions. The corresponding expense has been included under administrative expenses within the income statement. There is no effect on profit or net assets.

(ii) *Investment income - other* relates to investment income on third party interest holdings in the St. James's Place unit trusts which are subject to consolidation (the third party interest holdings are disclosed as "net asset value attributable to unit holders" within the balance sheet). This income is offset by a change in investment contract benefits within the income statement.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)**

<b>Segment Result</b>	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
Life business			
Shareholder	15.3	36.5	85.5
Policyholder tax gross up	45.9	4.7	72.3
Unit trust business	8.6	8.9	18.0
Profit on sale of investment – LAHC	-	-	7.0
Other loss	(4.0)	(2.1)	(2.9)
Total other business	(4.0)	(2.1)	4.1
<b>Total operating profit</b>	<b>65.8</b>	<b>48.0</b>	<b>179.9</b>
Financing costs	-	-	-
<b>Profit before tax</b>	<b>65.8</b>	<b>48.0</b>	<b>179.9</b>
Income taxes			
Policyholder tax	(45.9)	(4.7)	(72.3)
Shareholder tax	8.4	(14.9)	(19.6)
<b>Profit after tax</b>	<b>28.3</b>	<b>28.4</b>	<b>88.0</b>

**3. INCOME TAXES**

	6 Months Ended 30 June 2007 £' Million	6 Months Ended 30 June 2006 £' Million	12 Months Ended 31 December 2006 £' Million
<b>Policyholder tax</b>			
Overseas withholding tax	9.1	4.6	9.2
Deferred tax	16.5	0.1	41.8
UK corporation tax			
Current year	22.6	-	21.3
Prior year	(2.3)	-	-
<b>Total policyholder tax charge for the period</b>	<b>45.9</b>	<b>4.7</b>	<b>72.3</b>
<b>Shareholder tax</b>			
UK corporation tax	4.0	3.7	8.7
Group relief	(5.9)	(0.5)	0.1
Overseas tax	0.6	0.3	0.9
Deferred tax (credit)/charge			
On unrelieved expenses	(9.8)	5.2	(1.1)
Other	2.7	6.2	11.0
<b>Total shareholder tax (credit)/charge for the period</b>	<b>(8.4)</b>	<b>14.9</b>	<b>19.6</b>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 4. DIVIDENDS

The following dividends have been paid by the Company:

	6 Months Ended 30 June 2007 <u>£' Million</u>	6 Months Ended 30 June 2006 <u>£' Million</u>	12 Months Ended 31 December 2006 <u>£' Million</u>
2005 final dividend – 1.85 pence per ordinary share	-	8.3	8.3
2006 interim dividend – 1.50 pence per ordinary share	-	-	6.8
2006 final dividend – 2.15 pence per ordinary share	10.0	-	-
2006 special dividend – 6.35 pence per ordinary share	29.4	-	-
<b>Total dividends paid</b>	<u>39.4</u>	<u>8.3</u>	<u>15.1</u>

The directors have resolved to pay an interim dividend of 1.75 pence per share (2006: 1.5 pence). This amounts to £8.3 million (2006: £6.8 million) and will be paid on 19 September 2007 to shareholders on the register at 10 August 2007.

### 5. EARNINGS PER SHARE

	6 Months Ended 30 June 2007 <u>Pence</u>	6 Months Ended 30 June 2006 <u>Pence</u>	12 Months Ended 31 December 2006 <u>Pence</u>
Basic earnings per share	6.1	6.3	19.4
Adjustments – disposal of LAHC	-	-	(1.5)
Basic adjusted earnings per share	<u>6.1</u>	<u>6.3</u>	<u>17.9</u>
Diluted earnings per share	5.8	6.0	18.4
Adjustments – disposal of LAHC	-	-	(1.5)
Diluted adjusted earnings per share	<u>5.8</u>	<u>6.0</u>	<u>16.9</u>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

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

	6 Months Ended 30 June 2007 <u>£' Million</u>	6 Months Ended 30 June 2006 <u>£' Million</u>	12 Months Ended 31 December 2006 <u>£' Million</u>
<b>Earnings</b>			
Profit after tax ( <i>for both basic and diluted EPS</i> )	28.3	28.4	88.0
Adjustment – disposal of LAHC	-	-	(7.0)
Adjusted profit ( <i>for both basic and diluted EPS</i> )	<u>28.3</u>	<u>28.4</u>	<u>81.0</u>
<b>Weighted average number of shares</b>			
Weighted average number of ordinary shares in issue ( <i>for basic EPS</i> )	463.7 m	448.7 m	452.8 m
Adjustments for outstanding share options	<u>25.9 m</u>	<u>25.3 m</u>	<u>25.8 m</u>
Weighted average number of ordinary shares ( <i>for diluted EPS</i> )	<u>489.6 m</u>	<u>474.0 m</u>	<u>478.6 m</u>

### 6. ASSETS HELD TO COVER LINKED LIABILITIES

Included within the balance sheet are the following assets and liabilities which represent the net assets held to cover linked liabilities. The difference between these assets and liabilities and those shown in the consolidated balance sheet represents assets and liabilities held outside the unit-linked funds.

	30 June 2007 <u>£' Million</u>	30 June 2006 <u>£' Million</u>	31 December 2006 <u>£' Million</u>
<b>Assets</b>			
Investment property	708.4	397.9	568.2
Investments			
Equities	10,212.2	7,696.4	8,883.0
Fixed income securities	609.1	561.7	544.4
Investment in Collective Investment Schemes	733.3	635.0	728.6
Currency forwards	0.8	0.4	0.2
Other receivables	90.0	60.7	39.4
Cash and cash equivalents	<u>1,476.2</u>	<u>1,365.4</u>	<u>1,501.4</u>
<b>Total assets</b>	<u>13,830.0</u>	<u>10,717.5</u>	<u>12,265.2</u>
<b>Liabilities</b>			
Financial liabilities			
Currency forwards	-	0.4	0.1
Deferred tax liabilities	156.2	99.8	139.8
Other payables	<u>75.4</u>	<u>80.3</u>	<u>33.5</u>
<b>Total liabilities</b>	<u>231.6</u>	<u>180.5</u>	<u>173.4</u>
<b>Net assets held to cover linked liabilities</b>	<u>13,598.4</u>	<u>10,537.0</u>	<u>12,091.8</u>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 7. DEFERRED ACQUISITION COSTS

	30 June 2007 £' Million	30 June 2006 £' Million	31 December 2006 £' Million
Life business - insurance DAC	26.6	27.8	26.7
Life business - investment DAC	328.4	263.5	296.5
Unit trust business - investment DAC	82.4	63.3	70.4
<b>Total deferred acquisition costs</b>	<b>437.4</b>	<b>354.6</b>	<b>393.6</b>

The movement on deferred acquisition costs is reflected in the fees, commission and other acquisition costs line in the income statement.

### 8. DEFERRED TAX ASSETS

	30 June 2007 £' Million	30 June 2006 £' Million	31 December 2006 £' Million
Life business - unrelieved expenses	26.9	10.8	17.1
Life business - deferred income	32.5	33.0	34.6
Unit trust business - deferred income	25.4	20.1	22.5
Other	9.4	6.3	9.6
<b>Total deferred tax assets</b>	<b>94.2</b>	<b>70.2</b>	<b>83.8</b>

### 9. OTHER PROVISIONS

	30 June 2007 £' Million	30 June 2006 £' Million	31 December 2006 £' Million
At beginning of period	3.1	9.6	9.6
Movement in the period	0.2	(0.3)	(6.5)
<b>At end of period</b>	<b>3.3</b>	<b>9.3</b>	<b>3.1</b>

Other provisions at 30 June 2007 consist of £2.0 million to meet obligations arising as a result of the closure of offices, £0.8 million in respect of the policyholder costs of redress for endowment business and £0.6 million in respect of miscellaneous items.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 10. DEFERRED TAX LIABILITIES

	30 June 2007 <u>£' Million</u>	30 June 2006 <u>£' Million</u>	31 December 2006 <u>£' Million</u>
On deferred acquisition costs	113.4	97.0	108.2
On purchased value of in-force business	17.5	19.6	19.2
Within unit-linked funds	156.6	99.8	139.8
Other	9.9	6.1	10.4
Total deferred tax liabilities	<u>297.4</u>	<u>222.5</u>	<u>277.6</u>

### 11. DEFERRED INCOME

	30 June 2007 <u>£' Million</u>	30 June 2006 <u>£' Million</u>	31 December 2006 <u>£' Million</u>
Life business	228.3	201.6	216.9
Unit trust business	90.6	66.9	75.0
Total deferred income	<u>318.9</u>	<u>268.5</u>	<u>291.9</u>

### 12. SHARE CAPITAL

	<u>Number</u>	<u>Nominal value £' Million</u>
At 31 December 2006	463,858,948	69.6
Issue of shares	<u>10,680,943</u>	<u>1.6</u>
At 30 June 2007	<u>474,539,891</u>	<u>71.2</u>

### 13. STATUTORY ACCOUNTS

The financial information shown in this publication is unaudited and does not constitute statutory accounts. The comparative figures for the financial year ended 31 December 2006 are not the Company's statutory accounts for the financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies.

The report of the auditors was unqualified and did not include a reference to any matter to which the auditors drew attention to, by way of emphasis without qualifying their report, and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

### 15. APPROVAL OF INTERIM REPORT

This interim report was approved by the Board of Directors on 30 July 2007.