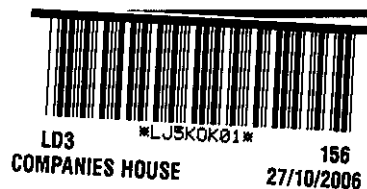


# **THREADNEEDLE PORTFOLIO SERVICES LIMITED**

**(Registered Number: 285988)**

**Report and Accounts  
for the Year Ended  
31<sup>st</sup> December 2005**



**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

	<b>PAGE</b>
<b>DIRECTORS</b>	<b>2</b>
<b>DIRECTORS' REPORT</b>	<b>3 - 7</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>8 - 9</b>
<b>PROFIT AND LOSS ACCOUNT</b>	<b>10</b>
<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>	<b>11</b>
<b>BALANCE SHEET</b>	<b>12</b>
<b>NOTES TO THE ACCOUNTS</b>	<b>13 - 22</b>

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**DIRECTORS**

S H Davies	Chairman & Chief Executive
D F Sachon	Managing Director - Resigned 31 <sup>st</sup> March 2006
A J Ainsworth	Resigned 31 <sup>st</sup> March 2006
T W Challenor	
D Gasparro	
T Gillbanks	Appointed 9 <sup>th</sup> March 2005
C J Henderson	
W D Lowndes	

**Secretary and registered office**

A Kaye  
60 St. Mary Axe  
London  
EC3A 8JQ

**Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2005**

The Directors present their report and the audited financial statements for the year ended 31<sup>st</sup> December 2005.

**Significant developments and principal activities**

The principal activities of Threadneedle Portfolio Services Limited ("the Company") continue to be the retail distributor in continental Europe on behalf of Threadneedle Investments Funds ICVC and Threadneedle Specialist Investment Funds ICVC, as well as Portfolio Management Service manager of the range of Threadneedle Investment and Managed Funds. As such the Company is authorised and regulated by the Financial Services Authority. The Directors do not anticipate any change in the nature of activities in the foreseeable future.

On 30<sup>th</sup> September 2005, American Express Company engaged in a spin-off of its financial advisory business unit, the holding company of which was Ameriprise Financial, Inc. ("Ameriprise", formerly American Express Financial Corporation). With effect from 30<sup>th</sup> September 2005, and as a result of the spin-off, Ameriprise became an independently quoted company on the New York Stock Exchange and became the ultimate parent company of the Company.

**Results and dividends**

The profit and loss account for the year is set out on page 10. The level of business and the financial position at the end of the year are satisfactory. The retained profit for the year was £3,077,000 (15 month period ended 31<sup>st</sup> December 2004: £1,113,000).

The Directors do not recommend the payment of a dividend (15 month period ended 31<sup>st</sup> December 2004: £nil).

**Fixed assets**

Movements in fixed assets during the period are set out in note 9 to the financial statements.

**Directors**

The names of the Directors and Secretary of the Company are listed on page 2. The Directors all held office throughout the year unless otherwise shown.

**Directors' and Officers' liability insurance**

During the year ended 31<sup>st</sup> December 2005, Threadneedle Asset Management Holdings Limited purchased and maintained liability insurance for the Directors and Officers of the Company. The company also maintained a qualifying third party indemnity provision.

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**Directors' interests**

The Directors had no interest in the shares or debentures of companies required to be disclosed under the Companies Act 1985, except as shown below:

**Threadneedle Asset Management Holdings Limited**

Directors' interests in the shares of Threadneedle Asset Management Holdings Limited (including shares held in trust, through ISAs and by immediate family members)

	‘A’ Ordinary shares	‘B’ Ordinary shares
<b>Holdings at 1<sup>st</sup> January 2005 (or date of appointment if later)</b>		
A J Ainsworth	916,000	265,125
T W Challenor	687,461	112,500
D Gasparro	37,397	-
T Gillbanks	9,349	-
C J Henderson	561,245	187,500
W D Lowndes	516,589	108,000
D F Sachon	1,763,565	480,375

**Holdings at 31<sup>st</sup> December 2005**

A J Ainsworth	957,915	265,125
T W Challenor	568,158	112,500
D Gasparro	122,281	-
T Gillbanks	27,422	-
C J Henderson	716,794	187,500
W D Lowndes	399,693	54,000
D F Sachon	1,376,679	240,188

As Mr S H Davies is a Director of Threadneedle Asset Management Holdings Limited, the Company's ultimate holding company in the United Kingdom, his interests in the shares of Threadneedle Asset Management Holdings Limited are shown in the Threadneedle Asset Management Holdings Limited Directors' Report.

**Employment of disabled staff in the United Kingdom**

The Company's policy is to appoint and promote staff on the basis of their individual capability. Full and fair consideration is given to both disabled and able-bodied staff. The training divisions of the various companies are also equipped to meet any special needs of disabled individuals and favourable consideration is given to the modification of facilities and provision of special aids or equipment.

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**Employee involvement**

Companies within the Threadneedle Asset Management Holdings Limited group ("The Group") involve employees on matters of concern to them and endeavour to achieve a level of employee awareness of the financial and economic factors affecting the performance of the Group. Communication and consultation mechanisms include regular briefing meetings and employee roadshows, where staff have the opportunity to meet and discuss matters of general importance with senior management as well as a computer based news information service.

The Group encourages employees to participate in charitable activities by matching donations raised by them and sponsoring a "Give As You Earn" scheme. The Group also makes direct donations. In all, charities benefited by over £71,200 (2004: £76,000) from these efforts.

**Employee share schemes**

An Equity Participation Plan exists. Under this plan, key senior staff are awarded shares in Threadneedle Asset Management Holdings Limited. The purpose of the plan is to give key managers an interest in the success of the business with a view to encouraging even greater levels of commitment and team working in our goal to grow a highly successful and profitable business.

**Statement of Directors' responsibilities**

The following statement sets out the responsibilities of the Directors for preparing the financial statements of the Company in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Principles.

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

- select appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors are responsible for ensuring that to their knowledge, there is no relevant audit information of which the Company's auditors are unaware. The Directors must make themselves aware of all relevant audit information and establish that this information is passed on to the auditors.

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

The Directors are responsible for taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

**Creditor payment policy**

In respect of all of its suppliers, it is the Company's policy to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment; and
- abide by the terms of payment.

The Company's average creditor payment period, calculated by reference to the ratio of trade creditors at 31<sup>st</sup> December 2005 to amounts invoiced by suppliers during the year was nil days (2004: 2 days). In 2005 amounts due to trade creditors were paid on behalf of the Company by Threadneedle Asset Management Holdings Limited.

**Consolidated supervision**

The rules of the UK Financial Services Authority ("FSA") under its Interim Prudential Sourcebook for investment businesses (IPRU(INV),14.1.4R), require that an investment firm that is a member of a group and subject to the requirements of the Capital Adequacy Directive (a "CAD" firm) must apply the rules of consolidated financial supervision. However, if the group and that firm meets certain conditions to the satisfaction of the FSA then it may be excused strict compliance with consolidated capital requirements.

The Group is the parent company of certain wholly owned subsidiaries that are classified under FSA rules as CAD firms. Threadneedle Portfolio Services Limited is one such company. The Group and the affected subsidiaries have determined that they meet the conditions specified by the FSA that enable them to be excused from strict compliance with consolidated capital requirements.

The Group has notified the FSA that it believes that it meets such conditions in respect of its CAD subsidiaries. Accordingly, subject to any objection from the FSA at any time and to continuing compliance by the Group and its subsidiaries with the conditions for the waiver, the Group and its subsidiaries that are CAD firms intend not to apply regulatory consolidated capital requirements as set out in IPRU(INV). The FSA are currently considering the position of the Group under the terms of the Financial Groups Directive the consequence of which might be that the Group, de facto, can no longer seek to rely upon the waiver.

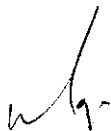
**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**Auditors**

The Company has elected by a resolution passed in accordance with Section 386 of the Companies Act 1985 and dated 2<sup>nd</sup> September 1997, to dispense with the obligation to appoint auditors annually.

By order of the Board



A Kaye  
Company Secretary



2006



**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREADNEEDLE PORTFOLIO SERVICES LIMITED**

We have audited the Company's financial statements for the year ended 31<sup>st</sup> December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

**Respective responsibilities of Directors and Auditors**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Principles) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Directors 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. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

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

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THREADNEEDLE  
PORTFOLIO SERVICES LIMITED**

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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Principles, of the state of the Company's affairs as at 31<sup>st</sup> December 2005 and of its profit for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

*26 April 2006*

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2005**

	Notes	<b>Year Ended 31<sup>st</sup> December 2005</b>	15 Months Ended 31 <sup>st</sup> December 2004 Restated
		<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	3	<b>11,090</b>	11,214
Administrative expenses		<b>(6,872)</b>	(9,201)
<b>Operating profit</b>		<b>4,218</b>	2,013
Other interest receivable and similar income	5	<b>1,192</b>	9
Interest payable and similar charges	6	<b>(866)</b>	-
<b>Profit on ordinary activities before taxation</b>	7	<b>4,544</b>	2,022
Taxation on profit on ordinary activities	8	<b>(1,467)</b>	(909)
<b>Retained profit for the financial year</b>		<b>3,077</b>	1,113

The movements on reserves are set out in note 14.

All results are derived from continuing operations.

There is no difference between the profit on ordinary activities for the year and the retained profit above, and their historical cost equivalents.

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2005**

	<b>Year Ended 31<sup>st</sup> December 2005</b>	15 Months Ended 31 <sup>st</sup> December 2004 Restated
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the financial year</b>	<b>3,077</b>	1,113
Foreign exchange gain/(loss) recognised through reserves	<b>298</b>	(239)
Prior period adjustment (as explained in note 2)	<b>(173)</b>	-
<b>Total gains recognised in the year</b>	<b><u>3,202</u></b>	<u>874</u>

The notes on pages 13 to 22 form an integral part of these financial statements.

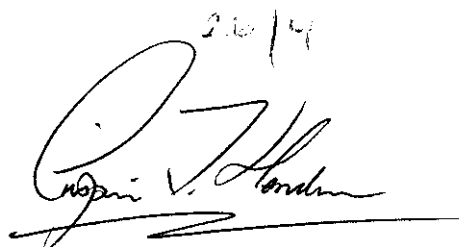
**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

**BALANCE SHEET**  
**AS AT 31<sup>st</sup> DECEMBER 2005**

	Notes	2005 £'000	2004 Restated £'000
<b>Fixed assets</b>			
Tangible Assets	9	43	81
		<u>43</u>	<u>81</u>
<b>Current assets</b>			
Debtors	10	11,614	233
Cash at bank and in hand		1,606	6,947
		<u>13,220</u>	<u>7,180</u>
<b>Creditors:</b>			
Amounts falling due within one year	11	(5,596)	(2,604)
<b>Net current assets</b>		<u>7,624</u>	<u>4,576</u>
<b>Total assets less current liabilities</b>		<u>7,667</u>	<u>4,657</u>
<b>Creditors:</b>			
Amounts falling due after more than one year	12	(203)	(568)
<b>Net assets</b>		<u>7,464</u>	<u>4,089</u>
<b>Capital and reserves</b>			
Called up share capital	13	2,100	2,100
Profit and loss account	14	5,214	1,839
Capital reserve	14	150	150
<b>Total equity shareholders' funds</b>	15	<u>7,464</u>	<u>4,089</u>

The notes on pages 13 to 22 form an integral part of these financial statements.

The financial statements on pages 10 to 22 were authorised for issue by the Board of Directors on 2006 and were signed on its behalf by:

2.6/4  


C J Henderson  
Director

## **NOTES TO THE ACCOUNTS**

### **1. Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. The Company implemented Financial Reporting Standard 20 – Share Based Payment during the year as detailed in note 2.

The following is a summary of the Company's principal accounting policies:

#### **a) Accounting convention**

The financial statements have been prepared under the historical cost convention.

#### **b) Turnover**

Turnover is stated net of VAT and represents income generated from the management and administration of the range of Threadneedle's Portfolio Management Service products and from the retail distribution business in continental Europe on behalf of Threadneedle Investment Funds ICVC and Threadneedle Specialist Investment Funds ICVC, and is recognised on an accruals basis.

#### **c) Value added tax**

Irrecoverable VAT is included with the expense on which it has been suffered.

#### **d) Foreign currencies**

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Turnover and profits expressed in currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities are translated at closing rates of exchange, or where appropriate, the rate fixed under the terms of the relevant foreign exchange contract.

The difference between the retained profits of overseas branches translated at average and closing rates is taken to reserves, as are the differences arising on the re-translation into sterling (using closing rates of exchange) of overseas net assets at the beginning of the year, after taking into account related foreign currency borrowings. Other exchange differences, including those on remittances, are reflected in the profit and loss account.

#### **e) Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life as follows:

Computer equipment	3 to 7 years
Fixtures and fittings	3 to 10 years

**f) Deferred taxation**

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and the pattern of the expected realisation of investments. The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses.

**g) Pensions**

The Threadneedle Pension Plan is a defined benefit scheme.

The Company also operates a defined contribution scheme for new employees. The Company's contribution to the pension scheme is charged to the profit and loss account.

The Threadneedle Group operates a defined benefit scheme but as the Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, the scheme has thus been accounted for as if it were a defined contribution arrangement as described in paragraph 9(b) of FRS 17.

Full details of the pension scheme are disclosed in the accounts of Threadneedle Asset Management Holdings Limited.

**h) Leases**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**2. Share based payment**

The Company has implemented Financial Reporting Standard 20 – Share Based Payment during the year. In accordance with UK Generally Accepted Accounting Principles, this change in accounting policy necessitates the restatement of certain comparative figures. The impact of these changes in the financial statements of the Company are summarised as follows:

	Note	Amount Previously Reported 2004 £'000	Restated Amount 2004 £'000
Administrative expenses - operational		(9,417)	(9,201)
Taxation on profit on ordinary activities	8	(897)	(909)
Retained profit for the year		909	1,113
Debtors	10	245	233
Creditors: amounts falling due after more than one year	12	(407)	(568)
Capital and reserves			
- Profit and loss account	14	2,012	1,839
Closing shareholder funds	15	4,262	4,089
Opening shareholders funds	15	3,592	3,215

An Equity Participation Plan exists which is accounted for under Financial Reporting Standard 20 – Share Based Payment. Under this plan, key senior staff are awarded shares in Threadneedle Asset Management Holdings Limited. The shares awarded are the 'A' Ordinary Shares which have a nominal value of 0.001p each and are not entitled to receive dividends.

Awards are made annually and are dependent on corporate and individual performance criteria. The shares vest, and are then available to be sold by the employee, up to 50% after three years and 100% after four years, with a requirement to sell all vested shares by the end of the fifth year.

The fair value of the shares is calculated annually from an independent third-party valuation of the Threadneedle Asset Management Holdings Limited Group. The value as at 31st December 2004 of an 'A' Ordinary Share was £2.183 and a 'B' Ordinary Shares was £1.183. These values were used for all shares awarded and all shares vested during the period.

The total cost for the year in respect of the Equity Participation Plan was £207,000 (2004: £119,000). The total liability under the Equity Participation Plan at 31st December 2005 was £312,000 (2004: £599,000). Included within this amount is a liability for vested share awards of £46,000 (2004: nil).



**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

**3. Turnover**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
<b>Turnover by geographical destination</b>		
United Kingdom	<b>330</b>	-
Rest of the World	<b>10,760</b>	11,214
	<u><b>11,090</b></u>	<u>11,214</u>

**4. Directors and employees**

**Employees**

The average weekly number of persons (including Directors) employed by the Company during the year were as follows:

	<b>2005</b>	2004
	<b>Number</b>	Number
Sales	<b>18</b>	19
Administration	<b>14</b>	13
	<u><b>32</b></u>	<u>32</u>

The costs of these staff were as follows:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Salaries	<b>2,944</b>	3,215
Social security costs	<b>417</b>	401
Pension and post retirement benefits	<b>352</b>	151
Compensation for loss of office	<b>63</b>	151
	<u><b>3,776</b></u>	<u>3,918</u>

**Directors' remuneration**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Aggregate emoluments	<b>1,757</b>	1,008
Pension contributions	<b>-</b>	87
	<u><b>1,757</b></u>	<u>1,095</u>

7 Directors (2004: 6) received shares in Threadneedle Asset Management Holdings Limited under long-term incentive schemes in respect of qualifying services. Retirement benefits are accruing to 7 Directors under a defined benefit scheme (2004: 7).

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

	2005 £'000	2004 £'000
<b>In respect of the highest paid Director:</b>		
Aggregate emoluments and amounts (excluding shares) receivable under long-term incentive schemes	<u>609</u>	<u>445</u>

**Defined benefit pension scheme:**

Accrued pension at end of year	<u>6</u>	<u>17</u>
--------------------------------	----------	-----------

Directors' remuneration was borne by other group companies and recharged to Threadneedle Portfolio Services Limited.

The emoluments of Mr S H Davies, who is a director of the Company's parent company, Threadneedle Asset Management Holdings Limited, have been included in the Directors' emoluments disclosed in the accounts of Threadneedle Asset Management Holdings Limited.

**5. Other interest receivable and similar income**

	2005 £'000	2004 £'000
Bank interest receivable	285	9
Intra group interest receivable	907	-
	<u>1,192</u>	<u>9</u>

**6. Interest payable and similar charges**

	2005 £'000	2004 £'000
Intra group interest payable	<u>866</u>	<u>-</u>

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**7. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Operating lease charges	<b>159</b>	200
Depreciation	<b>38</b>	62
Auditors' remuneration for audit services	<b>5</b>	3

The audit fees were borne by Threadneedle Asset Management Holdings Limited and recharged to the Company. No remuneration was paid to the Company's auditors in respect of non-audit services (period ended 31<sup>st</sup> December 2004: £nil).

**8. Taxation**

Taxation in the profit and loss account is as follows:

	<b>2005</b>	2004
	<b>£'000</b>	Restated £'000
<b>United Kingdom taxation:</b>		
UK corporation tax at 30% (2004: 30%) for the year	<b>1,271</b>	665
Adjustments in respect of prior periods	<b>(14)</b>	(50)
	<hr/> <b>1,257</b>	<hr/> 615
Overseas tax for the year	<b>200</b>	206
Adjustment in respect of prior years	<b>-</b>	134
	<hr/> <b>1,457</b>	<hr/> 955
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>12</b>	(50)
Increase in discount	<b>(2)</b>	4
<b>Tax on profit on ordinary activities</b>	<hr/> <b>1,467</b>	<hr/> 909

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £'000	2004 Restated £'000
Profit on ordinary activities before tax	<u>4,544</u>	<u>2,022</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	1,363	606
Expenses not deductible for tax purposes	(81)	(3)
Overseas tax	200	206
Adjustments to tax in respect of previous periods	(14)	84
Movement in timing differences	-	62
Capital allowances in excess of depreciation	<u>(11)</u>	<u>-</u>
	<u>1,457</u>	<u>955</u>

**9. Tangible fixed assets**

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 <sup>st</sup> January 2005	214	90	304
<b>At 31<sup>st</sup> December 2005</b>	<u>214</u>	<u>90</u>	<u>304</u>
<b>Depreciation</b>			
At 1 <sup>st</sup> January 2005	137	86	223
Charge for the year	34	4	38
<b>At 31<sup>st</sup> December 2005</b>	<u>171</u>	<u>90</u>	<u>261</u>
<b>Net book value</b>			
<b>At 31<sup>st</sup> December 2005</b>	<u>43</u>	<u>-</u>	<u>43</u>
At 31 <sup>st</sup> December 2004	<u>77</u>	<u>4</u>	<u>81</u>

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

**10. Debtors**

	2005	2004
	£'000	Restated £'000
Amounts due from fellow subsidiary undertakings	11,503	42
Corporation tax	-	49
Deferred tax asset	55	64
Other debtors	16	39
Prepayments and accrued income	40	39
	<u>11,614</u>	<u>233</u>

Included within the above are the following amounts provided for deferred tax:

	2005	2004
	£'000	Restated £'000
As at 1 <sup>st</sup> January 2005	65	18
(Provided)/ released in the year	(10)	46
<b>As at 31<sup>st</sup> December 2005</b>	<u>55</u>	<u>64</u>

	2005	2004
	£'000	£'000
<b>The deferred tax asset comprised:</b>		
Accelerated capital allowances	14	11
Other short term timing differences	45	59
Discount	(4)	(6)
<b>Deferred tax asset</b>	<u>55</u>	<u>64</u>

**11. Creditors: amounts falling due within one year**

	2005	2004
	£'000	£'000
Trade creditors	-	29
Amounts due to parent and fellow subsidiary undertakings	3,722	1,863
Corporation tax	1,218	-
Other tax and social security	21	119
Bank loans and overdrafts	-	2
Accruals and deferred income	635	591
	<u>5,596</u>	<u>2,604</u>

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

<b>Bank loans and overdrafts</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Due within one year:		
Bank overdraft	-	2
	<u>-</u>	<u>2</u>
 <b>12. <u>Creditors: amounts falling due after more than one year</u></b>	 <b>2005</b>	 <b>2004</b>
	<b>£'000</b>	<b>Restated £'000</b>
Accruals and deferred income	<u>203</u>	<u>568</u>
 <b>13. <u>Called up share capital</u></b>	 <b>2005</b>	 <b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
10,000,000 (2004: 10,000,000) ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
2,100,000 (2004: 2,100,000) ordinary shares of £1 each	<u>2,100</u>	<u>2,100</u>
 <b>14. <u>Movements in reserves</u></b>	 <b>Profit and Loss Account £'000</b>	 <b>Capital Reserve £'000</b>
As previously reported	2,012	150
Prior period adjustments – adoption of FRS 20	(173)	-
At 1 <sup>st</sup> January 2005 - restated	<u>1,839</u>	<u>150</u>
Foreign exchange gain	298	-
Retained profit for the financial year	3,077	-
<b>At 31<sup>st</sup> December 2005</b>	<u><b>5,214</b></u>	<u><b>150</b></u>

**Threadneedle Portfolio Services Limited**  
**Report and Accounts for the Year Ended 31<sup>st</sup> December 2005**

---

**15. Movement in equity shareholders' funds**

	2005	2004
	£'000	Restated £'000
Equity shareholders' funds at beginning of year	4,089	3,215
Movement on reserves	3,375	874
<b>Equity shareholders' funds at end of year</b>	<b><u>7,464</u></b>	<b><u>4,089</u></b>

**16. Ultimate parent company**

The Company is a subsidiary of Ameriprise Financial, Inc., a company incorporated in the state of Delaware, United States of America. Copies of the consolidated financial statements of Ameriprise Financial, Inc., can be obtained by writing to the Corporate Secretary, Ameriprise Financial, Inc., 1098 Ameriprise Financial Center, Minneapolis, Minnesota, USA, 55474 or by visiting the Ameriprise Financial website at [ameriprise.com](http://ameriprise.com).

Threadneedle Asset Management Holdings Limited is the parent company of the smallest group of companies, of which the Company is a member, for which group accounts are drawn up. Copies of the consolidated financial statements of Threadneedle Asset Management Holdings Limited can be obtained from The Secretary, Threadneedle Asset Management Holdings Limited, 60 St. Mary Axe, London EC3A 8JQ.

**17. Related party transactions**

Advantage has been taken of the exemption provided by FRS 8 from disclosing details of transactions with Ameriprise Financial, Inc., and its subsidiaries.

**18. Financial commitments**

At 31<sup>st</sup> December 2005, the Company had annual commitments under non-cancellable operating leases expiring as follows:

<b>Land and buildings</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Expiring during years two to five	<u>159</u>	<u>163</u>