

SCOTTISH WIDOWS INVESTMENT PARTNERSHIP LIMITED

REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2004

Member of Lloyds TSB Group



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Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Contents

Company Information	2
Directors' Report	3
Independent Auditors' Report to the Members of Scottish Widows Investment Partnership Limited	4 - 5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8 - 14

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Company Information

Board of Directors

A G Kane (Chairman)

A C Frepp
A J November
C M Phillips
G J Wood

Secretary

J M Brett

Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Registered Office

10 Fleet Place
London
EC4M 7RH

Company Number

794936

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Directors' Report

Principal Activity and Review of the Business

During the year Scottish Widows Investment Partnership Limited (the "Company") carried on the business of investment management. This includes management of investments of Lloyds TSB Group plc and certain subsidiary companies, and specialist investment funds.

The Directors consider that the Company's activities will continue unchanged for the foreseeable future.

Results and Dividend

The loss after taxation for the year ended 31 December 2004 amounted to £260,000 (2003: £3,798,000 loss) as shown in the profit and loss account on page 6. No dividends were paid or proposed during the year (2003: £nil).

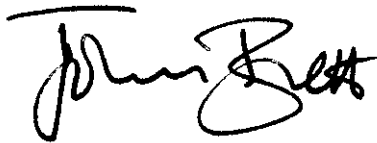
Directors

The names of the Directors are listed on page 2. Changes in directorships during the year are as follows:

S P J Ebenston	(resigned 31 March 2004)
J L Griffiths Jnr	(resigned 20 April 2004)
A J November	(appointed 31 May 2004)
G J Wood	(appointed 31 May 2004)

Particulars of the Directors' emoluments and interests in shares are given in notes 5 and 6 to the accounts.

On behalf of the Board of Directors



J M Brett
Company Secretary

12 APRIL 2005

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Independent auditors' report
to the members of Scottish Widows Investment Partnership Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for that year.

In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Independent auditors' report
to the members of Scottish Widows Investment Partnership Limited (continued)

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh
12 April 2005

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Profit and Loss Account

	Note	2004 £000	2003 £000
Turnover	2 (a)	75,704	67,125
Administration expenses		(83,907)	(78,693)
Other operating income		<u>6,435</u>	<u>5,300</u>
Operating loss		(1,768)	(6,268)
Income from shares in group undertakings		25	104
Interest receivable	3	1,461	961
Interest payable		(89)	(167)
Unrealised losses on investments		<u>-</u>	<u>(55)</u>
Loss on ordinary activities before taxation	4	(371)	(5,425)
Tax on loss on ordinary activities	7	<u>111</u>	<u>1,627</u>
Loss for the financial year	15	(260)	(3,798)
Retained (loss)/profit brought forward		<u>(1,265)</u>	<u>2,533</u>
Retained loss carried forward		<u><u>(1,525)</u></u>	<u><u>(1,265)</u></u>

There are no recognised gains and losses other than the loss for the financial year and all operations are continuing. There is no difference between the loss reported above and the loss recorded on an historic cost basis.

The notes on pages 8 to 14 form an integral part of these accounts.


Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Balance Sheet

	Note	2004 £000	2003 £000
Fixed assets			
Investments	8	96	-
Current assets			
Debtors	10	11,618	9,566
Other investments	11	1,824	25
Cash and short term deposits		48,034	39,215
		<u>61,476</u>	<u>48,806</u>
Creditors: amounts falling due within one year	12	<u>(41,097)</u>	<u>(41,170)</u>
Net current assets		<u>20,379</u>	<u>7,636</u>
Creditors: amounts falling due after more than one year			
Provisions for liabilities and charges		-	(101)
Net assets		<u>20,475</u>	<u>7,535</u>
Capital and reserves			
Called up share capital	13	20,000	6,800
Other reserves	14	2,000	2,000
Profit & loss account		(1,525)	(1,265)
Equity shareholders' funds	15	<u>20,475</u>	<u>7,535</u>

The notes on pages 8 to 14 form an integral part of these accounts.

Approved by the Board on 12 APRIL 2005


C.M. Phillips
Chief Executive Officer

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts

1. Basis of preparation

The accounts have been prepared on the historical cost basis and in accordance with applicable accounting standards. As the Company is a wholly owned subsidiary undertaking of Lloyds TSB Group plc, a company registered in the United Kingdom, Scottish Widows Investment Partnership Limited has taken advantage of the Companies Act 1985 and has not produced consolidated accounts.

2. Accounting policies

a) Turnover

Turnover represents fees in respect of investment management services provided.

Turnover comprises the following:

i) Investment Management Fees

Fee income is derived from investment management contracts with clients of the Company. Income is accrued on a monthly basis based on the underlying terms of each client's individual contracts.

ii) Performance Fees

Performance fees are calculated with reference to performance against a benchmark index. They are recognised only at the end of the period to which the performance relates, as set out in the underlying contracts.

b) Cash Flow Statement

A cash flow statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard No1 (Revised) "Cash Flow Statements" as consolidated accounts, in which the Company is included, are available (see note 17).

c) Interest receivable and payable

Interest receivable and payable is accounted for on an accruals basis.

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

d) Valuation of investments

Investments are valued at cost and with prudent regard to the provisions of Financial Reporting Standard 11 "Impairment of fixed assets and goodwill".

e) Tax

Tax is charged on all taxable profits arising for the accounting period. No provision is required under Financial Reporting Standard 19 "Deferred Tax" as no timing differences arise which would result in deferred tax on assets and liabilities.

f) Foreign currencies

Foreign revenues and costs are translated during the year at the rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

3. Interest receivable

	2004	2003
	£000	£000
Interest receivable from Group undertakings	171	172
Interest receivable from external sources	<u>1,290</u>	<u>789</u>
	<u><u>1,461</u></u>	<u><u>961</u></u>

4. Loss on ordinary activities before taxation

- (a) The company had no direct employees during the year (2003: nil). The employee costs, including pension costs, are included within Administration Expenses as recharge from Scottish Widows Investment Partnership Group Limited. Details of numbers of employees and costs, including costs of the pension scheme, can be found in the accounts of Scottish Widows Investment Partnership Group Limited.
- (b) Audit fees for the year were £120,000 (2003: £120,000). Fees paid to the auditors for non audit services were £68,000 (2003: £119,000).

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

5. Directors' emoluments

The Chairman and Directors consider that they receive no remuneration for their services to the Company (2003: £nil). The Chairman and Directors are also directors of Scottish Widows Investment Partnership Group Limited, the Company's immediate parent. The emoluments of the Chairman and Directors are disclosed in the accounts of that company.

6. Directors' interests

A G Kane is also a Director of the Company's ultimate parent undertaking, Lloyds TSB Group plc and his interests can be found in the accounts of that company.

C M Phillips is also a Director of the Company's intermediate parent undertaking, Scottish Widows Group Limited and his interests can be found in the accounts of that company.

A C Frepp, A J November and G J Wood are also Directors of the Company's immediate parent undertaking, Scottish Widows Investment Partnership Group Limited and their interests can be found in the accounts of that company.

None of the Directors who held office during the period ending 31 December 2004 had any interest in the shares of the Company (2003: none).

7. Taxation on profit on ordinary activities

The tax credit comprises:

	2004 £000	2003 £000
Corporation tax payable at 30% (2003 : 30%)	(111)	(1,627)
	<hr/>	<hr/>
	2004 £000	2003 £000
Loss on ordinary activities before taxation	(371)	(5,425)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(111)	(1,627)
	<hr/>	<hr/>
Current tax credit	(111)	(1,627)
	<hr/>	<hr/>

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

8. Investments

	Cost £000	Net Book Value £000
At 1 January 2004	-	-
Purchase of Investment in Subsidiary undertaking (see Note 9.)	<u>96</u>	<u>96</u>
At 31 December 2004	<u>96</u>	<u>96</u>

9. Subsidiary undertakings

The following are particulars of the Company's subsidiary undertakings:

Name	Class of Share	Percentage held	Country of Registration or Incorporation	Nature of Business
Scottish Widows Property Partners (SPF) Limited	Ordinary	100	Scotland	Property
Airport Industrial General Partner Limited	Ordinary	90	England/ Wales	Property
Bedfont Lakes Business Park (General Partner 1) Limited	Ordinary	100	England/ Wales	Property
Bedfont Lakes Business Park (General Partner 2) Limited	Ordinary	100	England/ Wales	Property
SWIP (Luxembourg) S.a.r.l	Ordinary	100	Luxembourg	Management Company to the European Balanced Property Fund

During the year the company acquired the share capital of the following:

Name	Date of Incorporation	Consideration
SWIP (Luxembourg) S.a.r.l	14 November 2004	£96,000

During the year the Company disposed of the subsidiary undertaking Mackenzie General Partner Limited. SWIP Ltd investment in the company was a nominal amount.

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

10. Debtors

Amounts falling due within one year :

	2004 £000	2003 £000
Trade debtors	1,842	334
Amounts owed by Group undertakings	3,851	1,958
Other debtors	10	10
Prepayments and accrued income	5,756	6,730
Corporation tax due	159	534
	<u>11,618</u>	<u>9,566</u>

11. Other investments

The balance of other investments consists of holdings in the SWIP Global Liquidity Fund plc.

12. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to Group undertakings	38,803	38,549
Other taxes and social security	152	143
Other creditors	2,142	1,895
Deferred income	-	583
	<u>41,097</u>	<u>41,170</u>

Included within Amounts owed to Group undertakings are subordinated loans of £11,000,000 (2003: £11,000,000) issued by the immediate parent undertaking, Scottish Widows Investment Partnership Group Limited, and £14,000,000 (2003: £14,000,000) issued by the intermediate parent undertaking, Scottish Widows Group Limited. These loans are non-interest bearing and have no fixed repayment date. FSA approval is required before repayment of these loans can be made.

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

13. Called-up share capital

	2004	2003
	£000	£000
Authorised		
21,000,000 ordinary shares of £1 each	<u>21,000</u>	<u>7,000</u>
Allotted, issued and fully paid		
20,000,100 ordinary shares of £1 each	<u>20,000</u>	<u>6,800</u>

During the year the share capital of the Company was increased through the creation of 13,200,000 ordinary shares with a par value of £1 each.

14. Other reserves

	2004	2003
	£000	£000
Contribution to capital	<u>2,000</u>	<u>2,000</u>

The amount of other reserves represents irrevocable gifts to the company as contributions to capital. These amounts are distributable at the discretion of the Directors.

15. Reconciliation of movement in shareholders' funds

	2004	2003
	£000	£000
Opening shareholders' funds	7,535	11,333
Increase in Share Capital	13,200	-
Profit /(Loss) for the financial year	<u>(260)</u>	<u>(3,798)</u>
Closing shareholders' funds	<u>20,475</u>	<u>7,535</u>

Scottish Widows Investment Partnership Limited
Report and Accounts for the Year Ended 31 December 2004

Notes to the Accounts (continued)

16. Related party transactions

Advantage has been taken of the exemption under Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions between entities, 90% or more of whose voting rights are controlled within the Lloyds TSB Group plc, of which the Company is a member.

No contract of significance existed at any time during the period in which a Director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 8.

There were no material transactions by the Company with related parties for the year ended 31 December 2004.

17. Parent undertaking

The Company's immediate parent undertaking is Scottish Widows Investment Partnership Group Limited, a company registered in the United Kingdom. Scottish Widows Investment Partnership Group Limited has taken advantage of the provisions of the Companies Act 1985 and has not produced consolidated accounts.

Lloyds TSB Group plc is regarded by the Directors as the ultimate parent company and ultimate controlling party of Scottish Widows Investment Partnership Limited. Copies of the Lloyds TSB Group plc accounts in which the Company is consolidated can be obtained from the Group Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.