

1629925

# **SCOTTISH WIDOWS UNIT TRUST MANAGERS LIMITED**

REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2004



Member of Lloyds TSB Group

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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<b>Company Information</b>
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**Board of Directors**

N V Moss - Chairman  
C Cameron  
R J Whatford

**Secretary**

F Shah

**Auditors**

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

**Registered Office**

Charlton Place  
Andover  
Hampshire  
SP10 1RE

**Company Number**

1629925

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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<b>Directors' Report</b>
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**Principal activities and review of the business**

The principle activity of Scottish Widows Unit Trust Managers Limited ("the Company") is the management of unit trusts, individual savings accounts (ISAs), personal equity plans (PEPs) and Open Ended Investment Company ("OEIC") sub funds. The Directors consider that the Company's activities will continue unchanged in the foreseeable future.

**Results and dividend**

The profit after taxation for the financial year, as set out on page 6, is £37,069,000 (2003: profit of £11,368,000). The Directors do not recommend the payment of a dividend (2003: £nil), and the profit for the year has been transferred to reserves.

**Directors**

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

P J Jordan                      (resigned 16 September 2004)

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

On behalf of the Board of Directors



F Shah  
Edinburgh  
5 April 2005

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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<b>Report of the Independent Auditors to the Members of Scottish Widows Unit Trust Managers Limited</b>
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We have audited the financial statements which comprise the profit and loss account, the balance sheet and 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 Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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<b>Report of the Independent Auditors</b> <b>to the Members of Scottish Widows Unit Trust Managers Limited (continued)</b>
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**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 affairs of the Company as at 31 December 2004 and of its profit 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  
5 April 2005

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Profit and Loss Account**

	Note	2004 £000	2003 £000
Turnover	3	119,101	116,866*
Gross profit		<u>119,101</u>	<u>116,866</u>
Distribution and selling costs		(17,894)	(3,494)
Administrative expenses	4	(59,536)	(103,529)
Other operating income		6,632	6,607
Operating profit		<u>48,303</u>	<u>16,450</u>
Interest receivable	6	4,540	2,739
Interest payable		<u>(46)</u>	<u>(2,949)</u>
		4,494	(210)
Profit on ordinary activities before taxation		<u>52,797</u>	<u>16,240</u>
Tax on profit on ordinary activities	7	15,728	4,872
Profit on ordinary activities after taxation		<u>37,069</u>	<u>11,368</u>
Retained profit brought forward		73,697	62,329
Retained profit carried forward		<u><u>110,766</u></u>	<u><u>73,697</u></u>

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

The notes on pages 8 to 13 form an integral part of these accounts.

(\* Restated, see note 2(g)).

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Balance Sheet**

	Note	2004 £000	2003 £000
<b>Current assets</b>			
Stocks		1,860	5,021
Debtors	8	65,097	34,322
Investments	9	109,070	77,678
Cash at bank		-	972
		<u>176,027</u>	<u>117,993</u>
<b>Creditors: amounts falling due within one year</b>	10	(65,211)	(44,246)
<b>Net current assets</b>		<u>110,816</u>	<u>73,747</u>
<b>Capital and reserves</b>			
Called up share capital	11	50	50
Profit and loss account		110,766	73,697
<b>Equity shareholders' funds</b>	12	<u>110,816</u>	<u>73,747</u>

The notes on pages 8 to 13 form an integral part of these accounts.

Approved on behalf of the Board on 5 April 2005



N V Moss  
Chairman



**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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<b>Notes to the Accounts</b>
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**1. Basis of preparation**

The accounts have been prepared under the historical cost basis and in accordance with the Companies Act 1985 and applicable accounting standards.

**2. Accounting policies**

**a) Turnover**

Turnover, which wholly arose in the United Kingdom, represents the following:

- i. Proceeds from the sale of units in unit trusts and shares in OEIC sub funds. Sales in units and OEIC shares are recognised in the financial statements at the point of sale. Proceeds are stated net of discounts.
- ii. Remuneration from the management of unit trusts and shares in OEIC sub funds. This income is accrued on a monthly basis and is determined by reference to the scheme particulars for each unit trust and OEIC share class. Remuneration from managing the unit trusts and OEIC shares is stated net of rebates.

**b) Other operating income**

Income distributions on unit trust and OEIC sub fund holdings are accounted for on an accruals basis at the date such distributions are declared. Income received under deduction of tax is brought into account after taking credit for such tax.

**c) Interest receivable and payable**

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

**d) Stocks**

The stock of units held in unit trusts and shares held in OEIC sub funds are held for sale or liquidation. Units held in unit trusts have been valued at the lower of cost and bid price at the balance sheet date and shares held in OEIC sub funds are stated at their quoted price.

**e) Taxation**

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.

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Notes to the Accounts (continued)**

**f) 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 14).

**g) Restatement of prior year figures**

Certain profit and loss captions have been restated from the prior year, with no impact to the profit, in order to comply with Application Note G to Financial Reporting Standard No 5 "Reporting the Substance of Transactions".

**3. Turnover**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Turnover represents the following:		
Income from unit dealing	23,846	28,556
Management charges	95,255	88,310
	<u>119,101</u>	<u>116,866</u>

The Company acts as principal in the sale of units in its authorised unit trusts and OEIC sub funds, although in accordance with Application Note G of FRS 5 it is in substance acting as an agent. The gross sales of units after discounts during the year were £1,571,370,000 (2003: £1,977,541,000). The comparatives have been amended to reflect the net turnover presentation, regarding the sale of units, in accordance with Application Note G. This change in presentation has no impact on operating profit.

**4. Administrative expenses**

- (a) Administrative expenses relate to the costs incurred in the client administration and investment management of Unit Trusts, ISAs, PEPs and OEIC shares. The administration of the Company is undertaken by Scottish Widows Services Limited and fees are recharged accordingly.
- (b) The Company had no direct employees during the year (2003: nil). The employee costs, including pension costs, are included in the recharge from Scottish Widows Services Limited noted above. The pension scheme operated is primarily a defined benefit scheme, however it is not possible to separately identify the amount of any surpluses or deficits in the scheme which relates to the Company. Details of the pension scheme can be found in the accounts of Scottish Widows Services Limited.

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Notes to the Accounts (continued)**

**4. Administrative expenses (continued)**

- (c) The remuneration of the auditors in respect of audit work was £43,260 (2003: £25,507). No other fees were paid to the auditors during the year (2003: £nil).

**5. Directors' emoluments and interests**

**(a) Directors' emoluments**

The aggregate apportioned emoluments of the Directors amounted to £104,367 (2003: £72,785).

Retirement benefits are accruing to three Directors (2003: four) under defined benefit pension schemes.

**(b) Directors' interests**

The interests of those who were Directors at 31 December 2004 in the capital of Lloyds TSB Group plc are as follows:

Lloyds TSB Group plc shares:

	<b>At 1 January 2004 Ordinary shares 25p</b>	<b>At 31 December 2004 Ordinary shares 25p</b>
C Cameron	6,223	7,881

Options to acquire Lloyds TSB Group plc shares:

	<b>At 1 January 2004</b>	<b>Granted (exercisable between 2007 &amp; 2014)</b>	<b>Lapsed</b>	<b>At 31 December 2004</b>
C Cameron	28,464	11,449	-	39,913

N V Moss and R J Whatford are also Directors of the Company's intermediate parent company, Scottish Widows Group Limited, and their interests are disclosed in the accounts of that company.

None of the Directors who held office during the year had any interest in the shares of the Company (2003: none).

**6. Interest receivable**

Interest receivable includes £283,000 (2003: £66,000) derived from Group companies.

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Notes to the Accounts (continued)**

**7. Tax on profit on ordinary activities**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Current tax:		
Corporation tax	15,811	4,872
Adjustments in respect of prior periods	(83)	-
	<u>15,728</u>	<u>4,872</u>
Factors affecting the tax charge for the year are as follows:		
Profit on ordinary activities before taxation	<u>52,797</u>	<u>16,240</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	15,839	4,872
Effects of:		
Prior year	(83)	-
Permanent difference	(28)	-
Current tax charge for period	<u>15,728</u>	<u>4,872</u>

**8. Debtors**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Trade debtors	35,983	22,123
Amounts due from group undertakings	9,401	-
Management charges	9,098	8,657
Prepayments and accrued income	433	258
Other debtors	10,182	3,284
	<u>65,097</u>	<u>34,322</u>

**9. Investments**

The balance of investments consists of holdings in a cash fund through which the Company invests its excess cash balances.

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Notes to the Accounts (continued)**

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

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	36,264	20,694
Amounts due to group undertakings	7,687	8,226
Corporation tax payable	8,284	3,695
Other creditors	11,805	11,631
Bank overdraft	1,171	-
	<u>65,211</u>	<u>44,246</u>

**11. Called up share capital**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Authorised, allotted, issued and fully paid 50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

**12. Reconciliation of movements in equity Shareholders' Funds**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Opening equity shareholders' funds	73,747	62,379
Profit for the financial year	37,069	11,368
Closing equity shareholders' funds	<u>110,816</u>	<u>73,747</u>

**13. Related party transactions**

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

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

**Scottish Widows Unit Trust Managers Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Notes to the Accounts (continued)**

**13. Related party transactions (continued)**

The Company acts as a Manager for 6 authorised unit trusts (2003: 6) and as an Authorised Corporate Director for 43 authorised OEIC sub funds (2003: 40). State Street Limited are the trustee for these unit trusts and the depositary for these OEIC sub funds. Each unit trust and OEIC sub fund is jointly controlled with the Company and State Street Limited.

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
<b>Unit trusts</b>		
Aggregate total transactions for the year:		
Creations	-	1,186
Cancellations	44,902	3,072
<b>OEIC sub funds</b>		
Aggregate total transactions for the year:		
Creations	1,474,921	1,618,871
Cancellations	1,505,681	1,047,742
Aggregate amounts due to trustees and depositary:		
Accrued at year end	(14,526)	(6,550)
Amounts received by Scottish Widows Unit Trust Managers Limited:		
Gross annual management charges	101,887	94,378
Registrars fees	6,645	6,661
Amounts receivable at year end:		
Management charges	9,098	8,657
Registrars fees	604	639

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

**14. Parent undertaking**

The Company's immediate parent undertaking is Scottish Widows Group Limited, a Company registered in the United Kingdom. Scottish Widows 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 Unit Trust Managers 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.