

SCOTTISH WIDOWS UNIT TRUST MANAGERS LIMITED

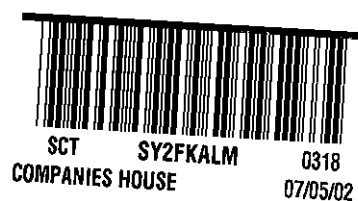
REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2001

Member of Lloyds TSB Group



Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Contents

Company Information	2
Directors' Report	3
Report of the Independent Auditors to the Members of Scottish Widows Unit Trust Managers Limited	4-5
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8-13

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Company Information

Board of Directors

N Scott (Chairman)

C Cameron
R W Gibson
D S Graham
A G Hogg
I D Thompson

Secretary

A J Talbot

Auditors

PricewaterhouseCoopers
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 2001

Directors' Report

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) and personal equity plans (PEPs).

During the forthcoming year, it is anticipated that the majority of the trading activities of Scottish Widows Fund Management Limited and Abbey Unit Trust Managers Limited, fellow subsidiary companies of the Lloyds TSB Group, will be transferred to the Company. This partly involves the rationalisation of client data under a single administration system, an activity which has occurred in respect of Scottish Widows Fund Management Limited between the Balance Sheet date and the date on which the accounts were signed.

Results and Dividend

The profit after taxation for the financial year, as set out on page 6, is £12,358,000 (2000: £17,028,000). The Directors do not recommend the payment of a dividend (2000: £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:

D Aiken (resigned 17/10/01)
A K Cameron (resigned 16/02/01)
C Cameron (appointed 06/08/01)

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

On behalf of the Board of Directors



A J Talbot
Edinburgh
17th April 2002

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

**Report of the Independent Auditors
to the Members of Scottish Widows Unit Trust Managers Limited**

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, and the Auditing Standards issued by the Auditing Practices Board. 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 United Kingdom 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 Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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.

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

**Report of the Independent Auditors
to the Members of Scottish Widows Unit Trust Managers Limited (continued)**

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 2001 and of the profit for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Edinburgh
17th April 2002

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Profit and Loss Account

	Note	2001 £000	2000 £000
Turnover	3	770,667	1,543,876
Cost of Sales		(660,338)	(1,387,734)
Gross Profit		<u>110,329</u>	<u>156,142</u>
Distribution and selling costs		(2,571)	(3,673)*
Administrative expenses	4	(99,928)	(138,125)*
Other operating income		5,534	5,217
Operating profit		<u>13,364</u>	<u>19,561</u>
Interest receivable	6	4,463	4,710
Interest payable		(159)	-
		<u>4,304</u>	<u>4,710</u>
Profit on ordinary activities before taxation		<u>17,668</u>	<u>24,271</u>
Tax on profit on ordinary activities	7	(5,310)	(7,243)
Profit on ordinary activities after taxation	12	<u>12,358</u>	<u>17,028</u>
Retained profit brought forward		51,970	34,942
Retained profit carried forward		<u><u>64,328</u></u>	<u><u>51,970</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(h)).

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Balance Sheet

	Note	2001 £000	2000 £000
Current Assets			
Stock of units		1,792	5,144
Debtors	8	32,958	33,558
Cash at bank		90,522	36,184
		<u>125,272</u>	<u>74,886</u>
Creditors: amounts falling due within one year	9	60,751	22,691
Net current assets		<u>64,521</u>	<u>52,195</u>
Provision for liabilities and charges	10	143	175
Net assets		<u><u>64,378</u></u>	<u><u>52,020</u></u>
Capital and Reserves			
Called up share capital	11	50	50
Profit and loss account		64,328	51,970
Equity shareholders' funds	12	<u><u>64,378</u></u>	<u><u>52,020</u></u>

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

Approved on behalf of the Board on 17th April 2002



N Scott
Chairman

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts

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) Financial Reporting Standard 18 "Accounting Policies"

During the year the Company has adopted Financial Reporting Standard 18 "Accounting Policies"; the effect has not been significant.

b) Turnover

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

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

c) Other operating income

Income distributions on unit trust 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.

d) Interest receivable and payable

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

e) Stocks

The stock of units held in the Scottish Widows Unit Trusts are held for sale or liquidation and have been valued at the lower of cost and bid price on the balance sheet date.

f) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

g) Cash flow statement

The Company is a wholly owned subsidiary of Lloyds TSB Group plc and is included in the consolidated accounts of Lloyds TSB Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

h) 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 achieve consistency of approach with similar companies within the Lloyds TSB Group.

3. Turnover

	2001	2000
	£000	£000
Turnover represents the following:		
Proceeds from the sale of units (after discounts)	688,484	1,455,807
Remuneration from managing the trusts	82,183	88,069
	<u>770,667</u>	<u>1,543,876</u>

4. Administrative Expenses

- (a) Administrative expenses relate to the costs incurred in the client administration and investment management of Unit Trusts, ISAs and PEPs. The administration of the Company is undertaken by Scottish Widows Services Limited and fees are recharged accordingly.
- (b) The remuneration of the auditors in respect of audit work was £20,000 (2000: £20,000). No other fees were paid to the auditors during the year (2000: £nil).
- (c) The Company does not directly employ any staff.

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

5. Directors' Emoluments and Interests

(a) Directors' emoluments

The aggregate apportioned emoluments of the Directors amounted to £104,654 (2000: £78,263).

Retirement benefits are accruing to 6 Directors (2000: 7) under defined benefit pension schemes.

(b) Directors' interests

The interests of those who were directors at 31 December 2001 in the capital of Lloyds TSB Group plc were:

Lloyds TSB Group plc shares:

	At 1 January 2001 (or later date of appointment)	At 31 December 2001
C Cameron	12,568	9,318
R W Gibson	-	1,031
D S Graham	-	1,216

Options to acquire Lloyds TSB Group plc shares:

	At 1 January 2001 (or later date of appointment)	Granted (exercisable between 2004- 2011)	Exercised	At 31 December 2001
C Cameron	7,733	-	-	7,733
R W Gibson	3,245	-	-	3,245
D S Graham	3,245	6,412	-	9,657
A G Hogg	3,245	6,412	-	9,657

N Scott and I D Thompson 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 other interest in the shares of Lloyds TSB Group plc or its subsidiaries.

6. Interest Receivable

Interest receivable is derived entirely from Group companies.

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

7. Tax on Profit on Ordinary Activities

	2001	2000
	£000	£000
Tax based on the profit for the year comprises:		
Corporation tax at 30% (2000 30%)	5,310	7,227
Deferred taxation	(32)	16
Previous year under provision	32	-
	<u>5,310</u>	<u>7,243</u>

8. Debtors

	2001	2000
	£000	£000
Amounts falling due within one year:		
Trade debtors	21,859	15,880
Management charges	6,796	7,891
Amount due by group undertakings	-	7,158
Prepayments and accrued income	693	693
Other debtors	3,610	1,936
	<u>32,958</u>	<u>33,558</u>

9. Creditors : amounts falling due within one year

	2001	2000
	£000	£000
Trade creditors	4,101	5,162
Amounts due to group undertakings	20,741	7,749
Group relief payable	605	5,067
Other creditors	1,079	4,713
Bank overdraft	34,225	-
	<u>60,751</u>	<u>22,691</u>

Scottish Widows Unit Trust Managers Limited
Report and Accounts for the Year Ended 31 December 2001

Notes to the Accounts (continued)

10. Provision for Liabilities and Charges

	2001 £000
Deferred taxation:	
Balance at 1 January	175
Release to profit and loss account	(32)
Balance at 31 December	<u>143</u>

Deferred taxation is in respect of timing differences on general provisions.

11. Called Up Share Capital

	2001 £000	2000 £000
Authorised, allotted, issued and fully paid shares of £1 each	<u>50</u>	<u>50</u>

12. Reconciliation of Movements in Equity Shareholders' Funds

	2001 £000	2000 £000
Opening equity shareholders' funds	52,020	34,992
Profit for the financial year	12,358	17,028
Closing equity shareholders' funds	<u>64,378</u>	<u>52,020</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 2001

Notes to the Accounts (continued)

13. Related Party Transactions (continued)

The Company acts as a manager for 25 authorised unit trusts (2000: 25). Each unit trust is jointly controlled with the trustees, State Street Trustees Limited. The aggregate total of transactions was £122,009,364 (2000: £884,257,000) for unit trust creations and £260,256,960 (2000: £433,038,000) for unit trust liquidations for the year. The actual aggregate amounts due from the trustees at the end of the accounting period was £793,905 (2000: £11,500,117).

The amounts received in respect of gross management charges were £86,343,405 (2000: £92,693,295) and for registrar fee £5,539,944 (2000: £5,333,969). At the end of the accounting period £6,795,582 (2000: £7,891,397) was accrued for annual management fees and £1,978,207 (2000: £565,768) for registrar fees.

There were no other material transactions by the Company with related parties for the year ended 31 December 2001.

14. Parent Undertaking

The Company's immediate parent undertaking is Lloyds TSB Financial Services Limited, a Company registered in the United Kingdom. Lloyds TSB Financial Services 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, 71 Lombard Street, London, EC3P 3BS.