

# **SCOTTISH WIDOWS FUND MANAGEMENT LIMITED**

REPORT OF THE DIRECTORS

AND

ACCOUNTS

31 DECEMBER 2004

Sc 74517



Member of Lloyds TSB Group

**Scottish Widows Fund Management Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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**Scottish Widows Fund Management 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**

15 Dalkeith Road  
Edinburgh  
EH16 5BU

**Company Number**

74517

**Scottish Widows Fund Management 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**

During the year ended 31 December 2004, Scottish Widows Fund Management Limited ("the Company") did not trade. The result for the year reflects interest earned on cash investments. 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 £153,000 (2003: £157,000). The Directors do not recommend the payment of a dividend (2003: £nil), and the profit for the year has been transferred to reserves.

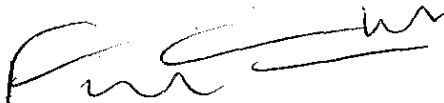
**Directors**

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 4 to the accounts.

Approved on behalf of the Board of Directors



F Shah  
Edinburgh  
5 April 2005

**Scottish Widows Fund Management Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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<b>Independent Auditors' Report</b> <b>to the Members of Scottish Widows Fund Management 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 page 8.

**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 Fund Management Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

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<b>Independent Auditors' Report</b> <b>To the Members of Scottish Widows Fund Management 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 Fund Management Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

<b>Profit and Loss Account</b>
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	Note	2004 £000	2003 £000
Interest receivable	5	234	167
Interest payable		(15)	(12)
Profit on ordinary activities before taxation		219	155
Tax on profit on ordinary activities	6	(66)	2
Profit on ordinary activities after taxation	12	153	157
Retained profit brought forward		532	375
Retained profit carried forward		685	532

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

The notes on pages 8 to 12 form an integral part of these accounts.

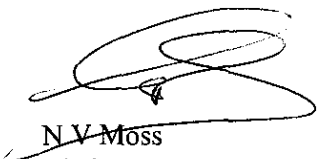
**Scottish Widows Fund Management Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Balance Sheet**

	Note	2004 £000	2003 £000
<b>Current assets</b>			
Debtors	7	39	15
Investments	8	5,133	4,990
Cash at bank and in hand		1	2
		<u>5,173</u>	<u>5,007</u>
<b>Creditors: amounts falling due within one year</b>	9	(388)	(375)
<b>Net current assets</b>		<u>4,785</u>	<u>4,632</u>
<b>Capital and reserves</b>			
Called up share capital	11	4,100	4,100
Profit and loss account		685	532
<b>Equity shareholders' funds</b>	12	<u>4,785</u>	<u>4,632</u>

The notes on pages 8 to 12 form an integral part of these accounts.

Approved on behalf of the Board on 5 April 2005

  
N V Moss  
Chairman



**Scottish Widows Fund Management 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) Interest receivable and payable**

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

**b) 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.

**c) 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).

**3. Profit on ordinary activities after taxation**

The remuneration of the auditors in respect of audit work was £nil (2003: £25,507). All administration expenses for the year including auditors' remuneration are borne by another group company.

**4. Directors' emoluments and interests**

**(a) Directors' emoluments**

The Directors consider that they have received no remuneration for their services to the Company during the year. On that basis, there are no aggregate emoluments of the Directors for the current year (2003: £nil).

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

**Scottish Widows Fund Management Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Notes to the Accounts (continued)**

**4. Directors' emoluments and interests (continued)**

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

Options to acquire Lloyds TSB Group plc shares:

	<b>At 1</b>	<b>Granted (exercisable</b>	<b>At 31</b>
	<b>January</b>	<b>between 2007 &amp; 2014)</b>	<b>December</b>
	<b>2004</b>		<b>Lapsed</b>
			<b>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).

**5. Interest receivable**

Interest receivable includes £nil (2003: £2,000) derived from Group companies.

**Scottish Widows Fund Management Limited**  
**Report and Accounts for the Year Ended 31 December 2004**

**Notes to the Accounts (continued)**

**6. Tax on profit on ordinary activities**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Current tax:		
Corporation tax	<u>66</u>	<u>(2)</u>
Factors affecting the tax charge for the year are as follows:		
Profit on ordinary activities before taxation	<u>219</u>	<u>155</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	66	46
Effects of:		
Adjustment in respect of prior years	-	(48)
Current tax charge/ (credit)	<u><u>66</u></u>	<u><u>(2)</u></u>

**7. Debtors**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Other debtors	39	15
	<u><u>39</u></u>	<u><u>15</u></u>

**8. Investments**

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

**Scottish Widows Fund Management Limited**  
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**Notes to the Accounts (continued)**

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

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Bank and other borrowings (see note 10)	350	350
Amounts due to Group undertakings	38	25
	<u>388</u>	<u>375</u>

**10. Subordinated loan**

An unsecured loan of £350,000 exists between the Company ("the borrower") and Scottish Widows plc ("the lender"). Interest is payable at a rate as agreed between the lender and the borrower. The loan is required to assist with capital adequacy under the Financial Services Authority ("FSA") rules and is only repayable with the prior consent of the FSA.

**11. Called up share capital**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Authorised allotted, issued and fully paid 4,100,000 ordinary shares of £1 each	<u>4,100</u>	<u>4,100</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	4,632	4,475
Profit for the financial year	153	157
Closing equity shareholders' funds	<u>4,785</u>	<u>4,632</u>

<b>Notes to the Accounts (continued)</b>
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**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 TBS 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".

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 Fund Management 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.