

**AEGON INVESTMENT MANAGEMENT UK LTD**

**REGISTRATION NUMBER 212159**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2004**



## **AEGON INVESTMENT MANAGEMENT UK LTD**

Directors	Colin McLatchie, BA, MBA (Chairman) Jonathan M Bennett, BA Colin I Black, BSc, FFA Christophe C Ferrand, DESCF, MaBa Philip J G Smith, MA, CA
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Secretary	Ian G Young, MA, LLB
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Company Number	212159
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Registered Office	AEGON House Edinburgh Park Edinburgh EH12 9SA
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Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
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**AEGON INVESTMENT MANAGEMENT UK LTD**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2004**

The Directors present their report and the audited financial statements for the year ended 31 December 2004.

**Principal Activity**

AEGON Investment Management UK Ltd provides intra-group asset management services.

**Structure of these Accounts**

The financial statements have been prepared in accordance with Schedule 4 of the Companies Act 1985 and in accordance with applicable accounting standards.

**Results and Dividends**

The results for the year are set out on page 6. The Directors recommended and ratified an interim dividend of £1,750,000 which was paid during the year and have recommended a final dividend of £5,400,000.

**Directors and their Interests**

The Directors who held office at the date of this report are shown on page 1. The Directors have declared that they had no interest in the share capital of the company at the beginning or at the end of the year. Directors who resigned during the year are listed below. All other Directors served throughout the year.

<b>Director</b>	<b>Date of resignation</b>
Wendy Hay	2 August 2004
Michael D Craston	6 September 2004
Susan R Hetrick	27 September 2004

The Directors of the company may participate in the share option scheme operated by AEGON NV, the ultimate parent undertaking, which enables them to subscribe for ordinary shares. The share options in AEGON NV of Colin McLatchie, Colin Black and Philip Smith are disclosed in the statutory accounts of AEGON Investment Holdings UK plc.

**Elective resolutions**

An elective resolution was passed on 10 August 2001 to (a) dispense with the requirement to lay the Report and Accounts before the Company in a general meeting, (b) to dispense with the holding of an Annual General Meeting for 2001 and subsequent years, and (c) the obligation to appoint auditors annually.

This report was approved by the Board on 30/3/2005 and signed on its behalf by



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**Ian G Young, MA, LLB**  
Secretary

**AEGON INVESTMENT MANAGEMENT UK LTD**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and 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;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the 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.

**AEGON INVESTMENT MANAGEMENT UK LTD**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
AEGON INVESTMENT MANAGEMENT UK LTD  
FOR THE YEAR ENDED 31 DECEMBER 2004**

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

**AEGON INVESTMENT MANAGEMENT UK LTD**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
AEGON INVESTMENT MANAGEMENT UK LTD  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**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.

*Ernst & Young LLP*

**Ernst & Young LLP  
Registered Auditor  
Edinburgh**

*30 March*  
..... 2005

# AEGON INVESTMENT MANAGEMENT UK LTD

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
<b>Turnover</b>		29,907	28,484
Cost of sales		(3,312)	(3,242)
<b>Gross profit</b>		26,595	25,242
Administrative expenses	2	(18,965)	(20,409)
<b>Operating profit</b>		7,630	4,833
Interest receivable and similar income	3	257	66
Interest payable and similar charges	4	(65)	(98)
<b>Profit on ordinary activities before taxation</b>		7,822	4,801
Tax on profit on ordinary activities	5	(2,347)	(804)
<b>Profit on ordinary activities after taxation</b>		5,475	3,997
Dividends payable	6	(7,150)	-
<b>Retained (loss)/profit for the year</b>		(1,675)	3,997

There are no other recognised gains or losses.

The results for the year relate wholly to continuing activities.

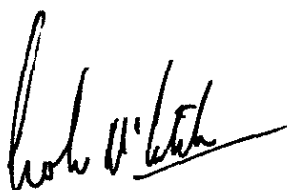
The notes on pages 8 to 11 form an integral part of these financial statements.

# AEGON INVESTMENT MANAGEMENT UK LTD

## BALANCE SHEET AS AT 31 DECEMBER 2004

	<u>Notes</u>	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
<b>Current Assets</b>			
Debtors	7	3,358	4,515
Cash at bank and in hand		9,273	3,316
		<u>12,631</u>	<u>7,831</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(12,536)</u>	<u>(3,912)</u>
<b>Total assets less current liabilities</b>		<u>95</u>	<u>3,919</u>
<b>Creditors: amounts falling due after more than one year</b>	9	-	2,149
<b>Capital and Reserves</b>			
Called up share capital	10	-	-
Profit and loss account		95	1,770
		<u>95</u>	<u>1,770</u>
<b>Equity Shareholders' Funds</b>	11	<u>95</u>	<u>1,770</u>
		<u>95</u>	<u>3,919</u>

The financial statements were approved by the Board on 30/3/2005 and signed on its behalf by



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Colin McLatchie, BA, MBA  
Chairman

The notes on pages 8 to 11 form an integral part of these financial statements.



**AEGON INVESTMENT MANAGEMENT UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**1. Accounting policies**

**1.1. Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

**1.2. Interest receivable**

Credit is taken in the profit and loss account for interest on an accruals basis.

**1.3. Cash flow statement**

No cash flow statement has been prepared under Financial Reporting Standard 1 (revised 1996) since the results of the company are consolidated in the financial statements of AEGON NV, the ultimate parent undertaking, which are publicly available.

**1.4. Taxation**

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**2. Administrative expenses**

Net administrative expenses include a fee of £18,965,000 (2003 - £20,393,000) which was paid, via AEGON Investment Holdings UK plc, to Scottish Equitable plc for the provision of management services. Scottish Equitable plc paid audit fees of £4,000 (2003 - £6,000) on behalf of the company.

AEGON UK Corporate Services Limited, a subsidiary of Scottish Equitable plc, employs all staff whose costs are included in the above administrative fee.

No directors' remuneration is paid by the company.

**3. Interest receivable and similar income**

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
Deposit interest	<u>257</u>	<u>66</u>

**AEGON INVESTMENT MANAGEMENT UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

<b>4. Interest payable and similar charges</b>	<b><u>2004</u></b> <b><u>£000's</u></b>	<b><u>2003</u></b> <b><u>£000's</u></b>
On amounts payable to group companies	65	98
<b>5. Taxation</b>		
<b>(a) Analysis of tax charge for the year</b>		
<u>UK Current Tax</u>		
	<b><u>2004</u></b> <b><u>£000's</u></b>	<b><u>2003</u></b> <b><u>£000's</u></b>
UK corporation tax charge on profits for the year	2,347	804
<b>(b) Factors affecting tax charge for the year:</b>		
	<b><u>2004</u></b> <b><u>£000's</u></b>	<b><u>2003</u></b> <b><u>£000's</u></b>
Profit on ordinary activities before tax	7,822	4,801
Tax on profit on ordinary activities before tax at 30% (2003 - 30%)	2,347	1,440
Effect of:		
Tax losses brought forward	-	(636)
Total current tax charge	2,347	804
<b>6. Dividends</b>	<b><u>2004</u></b> <b><u>£000's</u></b>	<b><u>2003</u></b> <b><u>£000's</u></b>
Dividend - Interim paid	1,750	-
Dividend - Final proposed	5,400	-
	7,150	-

**AEGON INVESTMENT MANAGEMENT UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**7. Debtors**

	<u><b>2004</b></u> <u><b>£000's</b></u>	<u><b>2003</b></u> <u><b>£000's</b></u>
Amounts owed by group undertakings	3,358	4,515

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

	<u><b>2004</b></u> <u><b>£000's</b></u>	<u><b>2003</b></u> <u><b>£000's</b></u>
Amounts owed to group undertakings	4,403	3,108
Group relief payable	2,733	-
Corporation tax payable	-	804
Proposed dividend	5,400	-
	<u>12,536</u>	<u>3,912</u>

**9. Creditors: amounts falling due after more than one year**

The long term loan of £2,149,000 at 31 December 2003 was a subordinated loan from AEGON Investment Holdings UK plc. This was fully repaid during the year.

**10. Share capital**

	<u><b>2004</b></u> <u><b>£</b></u>	<u><b>2003</b></u> <u><b>£</b></u>
<b>Authorised</b>		
100 Ordinary shares of £1 each	100	100
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	2	2

**AEGON INVESTMENT MANAGEMENT UK LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**11. Reconciliation of movements in shareholders' funds**

	<u><b>2004</b></u> <u><b>£000's</b></u>	<u><b>2003</b></u> <u><b>£000's</b></u>
Profit for the year	5,475	3,997
Dividends	(7,150)	-
Net (decrease)/increase in shareholders' funds	<u>(1,675)</u>	<u>3,997</u>
Opening shareholders' funds	1,770	(2,227)
Closing shareholders' funds	<u><u>95</u></u>	<u><u>1,770</u></u>

**12. Related party transactions**

In accordance with the exemption granted under Financial Reporting Standard 8, Related Party Disclosures, the company does not disclose transactions with other group companies and investees of the group qualifying as related parties.

**13. Ultimate parent undertaking**

The ultimate parent company is AEGON NV, which is incorporated in the Netherlands. The group accounts of AEGON NV are available from the Company Secretary, AEGON UK plc, AEGON House, Edinburgh Park, Edinburgh, Scotland, United Kingdom, EH12 9SA.