

# **EAGLE STAR ISA MANAGER LIMITED**

**(Registered Number: 2558025)**

**Report and Accounts  
for the 15 Months Ended  
31<sup>st</sup> December 2004**



**Eagle Star ISA Manager Limited**  
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**DIRECTORS**

S H Davies            Chairman

A J Ainsworth

T W Challenor

T Gillbanks            Appointed 9<sup>th</sup> March 2005

C J Henderson

W D Lowndes

D F Sachon            Managing Director

**Secretary and registered office**

A Kaye  
60 St. Mary Axe  
London  
EC3A 8JQ

**Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

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**DIRECTORS' REPORT FOR THE 15 MONTHS ENDED 31<sup>st</sup> DECEMBER 2004**

The Directors present their report and the audited financial statements for the 15 months ended 31<sup>st</sup> December 2004.

**Significant developments, review of business and principal activities**

The Company acts as Manager of Individual Savings Accounts. It is intended that the Company will continue to undertake business relating to this activity. The Company is authorised and regulated by the Financial Services Authority.

With effect from 1<sup>st</sup> October 2003, American Express Financial Corporation, a company incorporated in the United States of America, acquired 100% of the ordinary voting share capital of Threadneedle Asset Management Holdings Limited from companies within the Zurich Financial Services Group. Threadneedle Asset Management Holdings Limited is the parent company of the Threadneedle group of companies in the UK, of which Eagle Star ISA Manager Limited is a member.

**Results and dividends**

The profit and loss account for the period is set out on page 8. The retained profit for the period is £17,000 (nine months ended 30<sup>th</sup> September 2003: £9,000). The level of business and the financial position at the end of the period are satisfactory. The Directors do not recommend the payment of a dividend (nine months ended 30<sup>th</sup> September 2003: £nil).

**Directors**

The names of the Directors and Secretary of the Company are listed on page 2. The Directors all held office throughout the period unless otherwise shown.

**Directors' and Officers' liability insurance**

During the period, Threadneedle Asset Management Holdings Limited purchased and maintained liability insurance for the Directors and Officers on behalf of the Company.

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**Directors' interests**

The Directors had no interest in the shares or debentures of companies required to be disclosed under the Companies Act 1985, except as shown below:

**Threadneedle Asset Management Holdings Limited**

Directors' interests in the shares of Threadneedle Asset Management Holdings Limited (including shares held in trust, through ISAs and by immediate family members)

	'A' Ordinary shares	'B' Ordinary shares
<b>Holdings as at 1<sup>st</sup> October 2003</b>		
A J Ainsworth	701,576	265,125
T W Challenor	559,523	112,500
C J Henderson	249,062	187,500
W D Lowndes	391,535	108,000
D F Sachon	1,377,982	480,375
<b>Shares purchased during the period</b>		
A J Ainsworth	214,424	-
T W Challenor	127,938	-
C J Henderson	312,183	-
W D Lowndes	125,054	-
D F Sachon	385,583	-
<b>Holdings as at 31<sup>st</sup> December 2004</b>		
A J Ainsworth	916,000	265,125
T W Challenor	687,461	112,500
C J Henderson	561,245	187,500
W D Lowndes	516,589	108,000
D F Sachon	1,763,565	480,375

As Mr S H Davies is a Director of Threadneedle Asset Management Holdings Limited, the Company's ultimate holding company in the United Kingdom, his interests in the shares of Threadneedle Asset Management Holdings Limited are shown in the Threadneedle Asset Management Holdings Limited Directors' Report.

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**Statement of Directors' responsibilities**

The following statement sets out the responsibilities of the Directors in relation to the financial statements of the Company.

Company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period. In preparing those financial statements, the Directors are required to:

- select appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

They are responsible for taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

**Creditor payment policy**

In respect of all of its suppliers, it is the Company's policy to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment;
- abide by the terms of payment.

The Company's average creditor payment period, calculated by reference to the ratio of business trade creditors at 31<sup>st</sup> December 2004 to amounts invoiced by suppliers during the period was nil days (period ended 30<sup>th</sup> September 2003: nil days).

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**Consolidated supervision**

The rules of the UK Financial Services Authority ("FSA") under its Interim Prudential Sourcebook for investment businesses (IPRU(INV), 14.1.4R), require that an investment firm that is a member of a group and subject to the requirements of the Capital Adequacy Directive (a "CAD" firm) must apply the rules of consolidated financial supervision. However, if the group and that firm meets certain conditions then the firm may be able to apply a waiver from compliance with consolidated capital requirements.

Threadneedle Asset Management Holdings Limited ("the Group") is the parent company of certain wholly owned subsidiaries that are classified under FSA rules as CAD firms. Eagle Star ISA Manager Limited is one such company. The Group and the affected subsidiaries have determined that they meet the conditions that enable them to apply a waiver from the application of rule 14.1.4R.

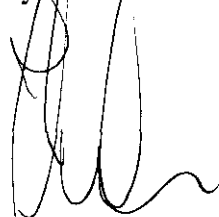
The Group has notified the FSA of its intention to rely upon the waiver in respect of its CAD subsidiaries and has agreed to provide a formal notice to the FSA to that effect. Accordingly, subject to any objection from the FSA at any time and to continuing compliance by the Group and its subsidiaries with the conditions for the waiver, the Group and its subsidiaries that are CAD firms intend not to apply regulatory consolidated capital requirements as set out in IPRU(INV).

**Auditors**

The Company has elected by a resolution passed in accordance with Section 386 of the Companies Act 1985 and dated 11<sup>th</sup> November 1991, to dispense with the obligation to appoint auditors annually.

During the period, the Directors appointed Ernst & Young LLP as auditors.

By order of the Board



T W Challenor  
Director

28 April

2005

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAGLE STAR ISA MANAGER LIMITED**

We have audited the Company's financial statements for the 15 month period ended 31<sup>st</sup> December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 12. 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 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.

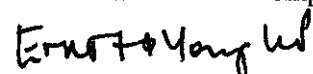
**Basis of audit opinion**

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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> December 2004 and of its profit for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

28 April 2005



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**PROFIT AND LOSS ACCOUNT**  
**FOR THE 15 MONTHS ENDED 31<sup>st</sup> DECEMBER 2004**

	Notes	<b>15 months ended 31<sup>st</sup> December 2004 £'000</b>	<b>Nine months ended 30<sup>th</sup> September 2003 £'000</b>
<b>Turnover</b>		<b>2,681</b>	<b>2,634</b>
Cost of sales		<b>(2,681)</b>	<b>(2,634)</b>
<b>Operating profit</b>	3	<u>-</u>	<u>-</u>
Interest receivable	4	<b>24</b>	<b>13</b>
<b>Profit on ordinary activities before taxation</b>		<u><b>24</b></u>	<u><b>13</b></u>
Tax on profit on ordinary activities	5	<b>(7)</b>	<b>(4)</b>
<b>Retained profit for the financial period</b>		<u><u><b>17</b></u></u>	<u><u><b>9</b></u></u>

The movements in reserves are set out in note 9.

All results are derived from continuing operations.

There is no difference between the profit on ordinary activities for the year and the retained profit above, and their historical cost equivalents.

The Company has no recognised gains or losses in the period other than the profit for the period, therefore no statement of total recognised gains or losses has been included.

The notes on pages 10 to 12 form an integral part of these financial statements.

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**BALANCE SHEET**  
**AS AT 31<sup>st</sup> DECEMBER 2004**

	Notes	2004 £'000	2003 £'000
<b>Current assets</b>			
Debtors	6	2	-
Cash at bank and in hand		539	521
		<u>541</u>	<u>521</u>
<b>Creditors:</b>			
Amounts falling due within one year	7	(9)	(6)
		<u>532</u>	<u>515</u>
<b>Net current assets</b>			
		<u>532</u>	<u>515</u>
<b>Net assets</b>			
		<u>532</u>	<u>515</u>
<b>Capital and reserves</b>			
Called up share capital	8	500	500
Profit and loss account	9	32	15
		<u>532</u>	<u>515</u>
<b>Total equity shareholders' funds</b>	10	<u>532</u>	<u>515</u>

The notes on pages 10 to 12 form an integral part of these financial statements

The financial statements on pages 8 to 12 were approved by the Board of Directors on  
28 APRIL 2005 and were signed on its behalf by:

  
S H Davies  
Director

## **NOTES TO THE ACCOUNTS**

### **1. Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The following is a summary of the Company's principal accounting policies:

#### **a) Accounting convention**

The financial statements are prepared under the historical cost convention.

#### **b) Turnover**

Turnover represents amounts receivable in order to purchase the stocks and shares element of Individual Savings Accounts and is stated net of VAT and any discounts.

#### **c) Cost of sales**

Cost of sales represent the cost of purchasing units from Eagle Star Unit Managers Limited.

#### **d) Administrative expenses**

All administrative expenses were borne by the holding company.

#### **e) Deferred taxation**

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and the pattern of the expected realisation of investments. The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses.

#### **f) Value Added Tax**

Irrecoverable VAT is included with the expense on which it has been suffered.

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**2. Directors**

None of the Directors received any remuneration during the period in respect of their services to the Company (period ended 30<sup>th</sup> September 2003: £nil)

**3. Auditors' fees**

There was no charge for audit fees during the period (period ended 30<sup>th</sup> September 2003: £nil). No remuneration was paid to the Company's auditors in respect of non-audit services (period ended 30<sup>th</sup> September 2003: £nil).

**4. Interest receivable**

	2004 £'000	2003 £'000
Bank interest receivable	<u>24</u>	<u>13</u>

**5. Taxation**

Taxation in the profit and loss account is as follows:

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003: 30%) for the period	<u>7</u>	<u>4</u>

The tax assessed for the year is equivalent to the standard rate of corporation tax in the UK of 30% (2003: 30%).

**6. Debtors**

	2004 £'000	2003 £'000
Amounts due from parent company and fellow subsidiary undertakings	2	-
	<u>2</u>	<u>-</u>

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

	2004 £'000	2003 £'000
Amounts due to parent company and fellow subsidiary undertakings	2	2
Corporation tax payable	7	4
	<u>9</u>	<u>6</u>

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**8. Called up share capital**

	2004 £'000	2003 £'000
<b>Authorised</b>		
5,000,000 (2003: 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<b>Allotted, called up and fully paid</b>		
500,000 (2003: 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

**9. Movements in reserves**

	2004 £'000	2003 £'000
At 1 <sup>st</sup> October 2003	15	6
Retained profit for the period	17	9
<b>At 31<sup>st</sup> December 2004</b>	<u>32</u>	<u>15</u>

**10. Reconciliation of movement in shareholders' funds**

	2004 £'000	2003 £'000
Retained profit for the period	17	9
Opening shareholders' funds	515	506
<b>Closing shareholders' funds</b>	<u>532</u>	<u>515</u>

**11. Ultimate Holding Company**

The largest group in which the results of the company are consolidated is that of American Express Company, a company incorporated in the United States of America. Copies of the consolidated financial statements of American Express Company can be obtained from The Secretary, American Express Company, 200 Vesey Street, New York, NY10285, USA or from the website at [www.americanexpress.com](http://www.americanexpress.com).

Threadneedle Asset Management Holdings Limited is the parent company of the smallest group of companies, of which the Company is a wholly owned subsidiary, for which group accounts are drawn up. Copies of the consolidated financial statements of Threadneedle Asset Management Holdings Limited can be obtained from The Secretary, Threadneedle Asset Management Holdings Limited, 60 St. Mary Axe, London EC3A 8JQ.

**12. Related party transactions**

The Company has taken advantage of an exemption from Financial Reporting Standard 8 not to disclose transactions with American Express Company group undertakings.