

EAGLE STAR ISA MANAGER LIMITED

(Registered Number: 2558025)

**Report and Accounts
for the Nine Months Ended
30th September 2003**



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DIRECTORS

L Churchill – resigned 2nd April 2003

S J Colsell – resigned 2nd April 2003

V J Jerrard – resigned 2nd April 2003

A J Ainsworth – appointed 2nd April 2003

T W Challenor – appointed 2nd April 2003

S H Davies – appointed 2nd April 2003

C J Henderson – appointed 2nd April 2003

W D Lowndes – appointed 2nd April 2003

D F Sachon – appointed 2nd April 2003

Secretary and registered office

A Kaye
60 St Mary Axe
London
EC3A 8JQ

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DIRECTORS' REPORT FOR THE NINE MONTHS ENDED 30th SEPTEMBER 2003

The Directors present their report and the audited financial statements for the nine months ended 30th September 2003.

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.

Until 30th September 2003 the Company was a subsidiary of Zurich Financial Services, a company incorporated in Switzerland.

The Company was sold to Threadneedle Asset Management Holdings Limited, a fellow Zurich Financial Services subsidiary, on 1st April 2003.

Effective after close of business on 30th September 2003, American Express Financial Corporation, a company incorporated in the United States of America, acquired 100% of the ordinary share capital of Threadneedle Asset Management Holdings Limited from Zurich Financial Services.

Results and dividends

The profit and loss account for the period is set out on page 9. The profit for the period is £9,000 (year to 31st December 2002: £6,000). 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 (year to 31st December 2002: £nil).

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.

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.

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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:

Zurich Financial Services

	Directors' Interests in the Shares of Zurich Financial Services (including shares held in trust, through ISAs and by immediate family members)	Employees Sharesave Option Related	Transitional Options Plan
Holdings as at 1st January 2003			
T W Challenor	-	56	2
C J Henderson	-	101	-
D F Sachon	11	45	2
Share options granted during the period			
T W Challenor	-	17	-
C J Henderson	-	30	-
D F Sachon	-	13	-
Holdings as at 30th September 2003			
T W Challenor	-	73	2
C J Henderson	-	131	-
D F Sachon	11	58	2

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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)

Holdings as at 1st January 2003	'A' Ordinary shares	'B' Ordinary shares
A J Ainsworth	576,729	265,125
T W Challenor	490,798	112,500
C J Henderson	-	187,500
W D Lowndes	330,579	108,000
D F Sachon	1,143,894	480,375
Shares purchased during the period		
A J Ainsworth	124,847	-
T W Challenor	68,725	-
C J Henderson	249,062	-
W D Lowndes	60,956	-
D F Sachon	234,088	-
Shares disposed of during the period		
A J Ainsworth	-	-
T W Challenor	-	-
C J Henderson	-	-
W D Lowndes	-	-
D F Sachon	-	-
Holdings as at 30th September 2003		
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

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 Zurich Financial Services and 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 are also required to prepare the financial statements.

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 30th September 2003 to amounts invoiced by suppliers during the period was nil days (year ended 31st December 2002: nil days).

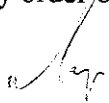
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Auditors

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1st January 2003, PricewaterhouseCoopers resigned on 17th March 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the Board



A Kaye
Company Secretary

29 January 2004

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

We have audited the financial statements on pages 9 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' responsibilities on page 6.

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 in whose hands it may come to 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.

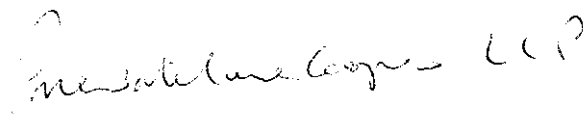
Basis of audit opinion

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 the Company's affairs at 30th September 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

24 Jan 2004

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PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30th SEPTEMBER 2003

	Notes	Nine months ended 30 th September 2003 £'000	Year ended 31 st December 2002 £'000
Turnover	1(b)	2,634	4,800
Cost of sales		(2,634)	(4,800)
Operating profit		-	-
Interest receivable	4	13	8
Profit on ordinary activities before taxation	3	13	8
Tax on profit on ordinary activities	5	(4)	(2)
Retained profit for the financial period		9	6

The movements in reserves are set out in note 8.

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 11 to 14 form an integral part of these financial statements.

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BALANCE SHEET
AS AT 30th SEPTEMBER 2003

	Notes	2003 £'000	As at 31 st December 2002 £'000
Current assets			
Cash at bank and in hand		521	508
Creditors:			
Amounts falling due within one year	6	(6)	(2)
Net current assets		<u>515</u>	<u>506</u>
Net assets		<u>515</u>	<u>506</u>
Capital and reserves			
Called up share capital	7	500	500
Profit and loss account	8	15	6
Total equity shareholders' funds	9	<u>515</u>	<u>506</u>

The notes on pages 11 to 14 form an integral part of these financial statements

The financial statements on pages 9 to 14 were approved by the Board of Directors on 29 January 2004 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.

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.

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2. Directors

None of the Directors received any remuneration during the period in respect of their services to the Company (year ended 31st December 2002: £nil)

3. Auditors' fees

There was no charge for audit fees during the period (year ended 31st December 2002: £nil). No remuneration was paid to the Company's auditors in respect of non-audit services (year ended 31st December 2002: £nil).

4. Interest receivable

	Nine Months ended 30 th September 2003 £'000	Year ended 31 st December 2002 £'000
Bank interest receivable	<u>13</u>	<u>8</u>

5. Taxation

Taxation in the profit and loss account is as follows:

	Nine Months ended 30 th September 2003 £'000	Year ended 31 st December 2002 £'000
UK corporation tax at 30% (2002: 30%) for the period/year	4	2
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	<u>4</u>	<u>2</u>

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

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	Nine Months ended 30 th September 2003 £'000	Year ended 31 st December 2002 £'000
Profit on ordinary activities before tax	13	8
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%(2002: 30%)	4	2
Expenses not deductible for tax purposes	-	-
Movement in timing differences	-	-
	4	2
6. <u>Creditors: amounts falling due within one year</u>		
	2003 £'000	2002 £'000
Amounts due to parent company and fellow subsidiary undertakings	2	-
Corporation tax payable	4	2
	6	2
7. <u>Called up share capital</u>		
	2003 £'000	2002 £'000
Authorised		
5,000,000 (2002: 5,000,000) ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
500,000 (2002: 500,000) ordinary shares of £1 each	500	500

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8. Movements in reserves

	Profit and Loss Account £'000
At 1 st January 2003	6
Retained profit for the period	9
At 30th September 2003	15

9. Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Profit for the period/year	9	6
Opening shareholders' funds	506	500
Closing shareholders' funds	515	506

10. Ultimate Holding Company note

The largest group in which the results of the company are consolidated is that of Zurich Financial Services, a company incorporated in Switzerland. Copies of the consolidated financial statements of Zurich Financial Services can be obtained from The Secretary, Zurich Financial Services, Mythenquai 2, 8002 Zurich, Switzerland.

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 Group can be obtained from The Secretary, Threadneedle Asset Management Holdings Limited, 60 St. Mary Axe, London EC3A 8JQ.

11. Related party transactions

The Company has taken advantage of an exemption from Financial Reporting Standard 8 not to disclose transactions with Zurich Financial Services' and its subsidiaries.

12. Post balance sheet event

Effective after close of business on 30th September 2003, the Threadneedle Group was sold by Zurich Financial Services to The American Express Financial Corporation, a company incorporated in the United States of America.