

SC157573

Scottish Life International Holdings Limited

Financial statements

for the year ended 31 December 2004



Scottish Life International Holdings Limited

Directors and officials

Directors	John G Allison	
	Chris B Cormack FFA	(resigned 7 December 2004)
	Brian J Duffin FFA	
	Michael J Yardley FIA	(resigned 1 June 2004)
	David Q Kneeshaw	
	Paul Langton	(appointed 1 June 2004)

Secretary	Murray J Ross
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Auditors	PricewaterhouseCoopers Sixty Circular Road Douglas Isle of Man IM1 1SA
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Registered office	19 St Andrew Square Edinburgh EH2 1YE
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Registered in Scotland
No: 157533

Scottish Life International Holdings Limited

Directors' report for the year ended 31 December 2004

The directors present herewith their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activity

The company acts as a holding company for a group of companies providing life, pensions and investment products in the UK and International markets. The activities of subsidiary undertakings are shown in note 5 to the financial statements.

Results and dividends

The result for the year is shown in the profit and loss account on page 5. The directors recommend that no dividend be paid.

Directors

The directors that held office during the period covered by this Report are shown on page 1.

The directors and their families had no beneficial interest in the share capital of the company during the year.

Secretary

The secretary of the company is Murray J Ross who served throughout the year.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office.

By order of the Board



Secretary

16 March

2005

Scottish Life International Holdings Limited

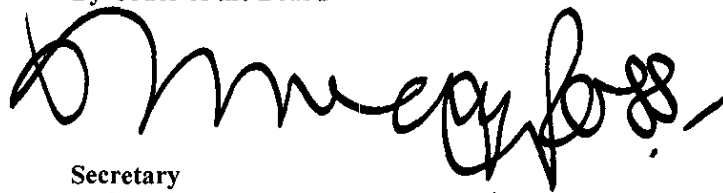
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- 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 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.

By Order of the Board



Secretary

16 March

2005

Independent auditors' report to the shareholders of Scottish Life International Holdings Limited

We have audited the financial statements of Scottish Life International Holdings Limited for the year ended 31 December 2004 set out on pages 5 to 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities.

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' fees 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 or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

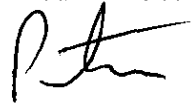
Basis of audit opinion

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 the company's affairs as at 31 December 2004 and of its loss for the year then ended in accordance with United Kingdom accounting standards and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

5 APRIL 2005

Scottish Life International Holdings Limited

Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Administrative expenses	2	(5)	(5)
Operating loss		(5)	(5)
Interest receivable	3	4	1
Provision for diminution in value of investments	5	(9,059)	(2,371)
Loss on ordinary activities before taxation		(9,060)	(2,375)
Taxation	4	1	2
Loss on ordinary activities after taxation		(9,059)	(2,373)
Retained loss brought forward		(25,218)	(22,845)
Retained loss carried forward		(34,277)	(25,218)

All activities relate to continuing operations.

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalent.

The notes on pages 7 to 10 form part of the financial statements.

Scottish Life International Holdings Limited

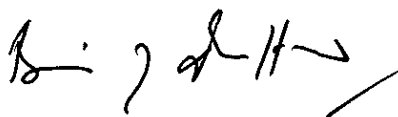
Balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Investments	5	10,463	19,522
Current assets			
Debtors	6	3	2
Cash at bank and in hand		21	22
		24	24
Creditors: amounts falling due within one year	7	(14)	(14)
Net current assets		10	10
Total assets less current liabilities		10,473	19,532
Capital and reserves			
Called-up share capital	8	44,750	44,750
Deficit on profit and loss account		(34,277)	(25,218)
Shareholders' funds	9	10,473	19,532


The notes on pages 7 to 10 form part of the financial statements.

The financial statements on pages 5 to 10 were approved by the board of directors on 16 March 2005 and signed on their behalf by:

Director



Director



Scottish Life International Holdings Limited

Notes to the financial statements for the year ended 31 December 2004

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Investment income

Interest receivable is accounted for on an accruals basis.

Expenses

Expenses are accounted for on an accruals basis.

Taxation

Provision is made for taxation at current rates on taxable profits/relievable losses and relief for overseas taxation is taken where appropriate.

Deferred taxation is provided on all unrealised gains and other timing differences, between their recognition in the financial statements and their recognition in the tax computations, except that overall assets are only recognised if there is persuasive and reliable evidence that the timing differences will reverse in the foreseeable future. The value of the resultant deferred tax assets and liabilities has been calculated on a discounted basis reflecting the fact that the timing differences are projected to reverse over several years. 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 similar to those of the deferred tax assets and liabilities.

Investments

Investments in subsidiary undertakings are stated at cost less any provisions for diminution in value.

Consolidation

Consolidated financial statements have not been prepared as the company's ultimate parent company, The Royal London Mutual Insurance Society Limited, which is incorporated in the United Kingdom, prepares consolidated financial statements which are publicly available.

2 Administration expenses

Included in administrative expenses:

(a) Auditors' remuneration

The remuneration of the auditors for the year in respect of the statutory audit was £4,635 (2003: £5,000). These amounts are inclusive of VAT.

(b) The company has no employees

(c) The chairman and directors receive no remuneration in respect of services to the company.

An employee benefit trust is in place, details of which are provided in note 3 of Scottish Life International Investment Group Limited's annual accounts.

Scottish Life International Holdings Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

3 Interest receivable

	2004 £'000	2003 £'000
Bank deposit	4	1

4 Taxation

(a) Analysis of (credit) for the year

		2004 £'000	2003 £'000
Current taxation:			
UK corporation tax at 30%	4 (b)	(1)	(2)
Deferred taxation	4 (c)	-	-
Tax on loss on ordinary activities		(1)	(2)

(b) Factors affecting the tax (credit) for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	(9,060)	(2,375)
Loss on ordinary activities multiplied by standard rate of tax in the UK of 30% (2003: 30%)	(2,718)	(713)
Effects of:		
Amounts written off investments in group undertakings	2,717	712
Adjustment in respect of prior periods	-	(1)
Current tax (credit) for the year	(1)	(2)

(c) Factors that may affect future tax charges

There are no factors affecting the future tax charges.

Scottish Life International Holdings Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

5 Investments

	2004 £'000	2003 £'000
Shares in group undertakings at cost	44,600	44,600
Less provision for diminution in value	(34,137)	(25,078)
	10,463	19,522

The following are particulars of the Company's subsidiaries. Scottish Life International Investment Group Limited is registered in Scotland, SLI Business Development (PTY) Limited in South Africa, and the remaining subsidiary companies are registered in the Isle of Man.

Name	Class if share	Percentage held	Nature of business
Scottish Life International Investment Group Limited	Ordinary	100%	Sales & Marketing
Scottish Life International Insurance Company Limited	Ordinary	100%	Life Assurance
Scottish International Fund Managers Limited	Ordinary	100%	Fund Management
Scottish Life International Management Services Limited	Ordinary	100%	Administration services
SLI Business Development (PTY) Limited	Ordinary	100%	Sales & Marketing

6 Debtors

	2004 £'000	2003 £'000
Group relief receivable	3	2

7 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Amounts owed to other group undertakings	9	9
Accruals	5	5
	14	14

Scottish Life International Holdings Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

8 Share capital

	2004 £'000	2003 £'000
Authorised: Ordinary shares of £1 each	60,000	60,000
Allotted and fully paid: Ordinary shares of £1 each	44,750	44,750

On 17 December 2003 the issued share capital was increased by 500,000 ordinary shares of £1 each for cash consideration.

9 Reconciliation of movement in shareholder's funds

	2004 £'000	2003 £'000
Loss for the year	(9,059)	(2,373)
Issue of share capital	-	500
Net reduction in shareholders' funds	(9,059)	(1,873)
Opening shareholders' funds	19,532	21,405
Closing shareholders' funds	10,473	19,532

10 Cash flow statement

No cash flow statement has been prepared under Financial Reporting Standard 1 (amended) as the results of the company are consolidated in the accounts of The Royal London Mutual Insurance Society Limited, the ultimate parent undertaking.

11 Related parties

As a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited, advantage has been taken of the exemption granted by Financial Reporting Standard 8, Related Party Disclosures, not to report all details of transactions with entities which are more than 90% controlled by a common parent undertaking.

12 Immediate and ultimate parent undertaking

The company's immediate and ultimate parent undertaking is The Royal London Mutual Insurance Society Limited which is registered in England. Copies of the group financial statements can be obtained from 55 Gracechurch Street, London, EC3V 0RL.