

FRANK RUSSELL INVESTMENTS (UK) LIMITED
(COMPANY REGISTRATION NO. 3049880)

Directors' Report and Financial Statements
For the Year Ended 31 December 1998



FRANK RUSSELL INVESTMENTS (UK) LIMITED

Directors' Report for the Year Ended 31 December 1998

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal Activity

The Company traded from 1 January to 16 February 1998, acting as the management company for the authorised UK unit trust. Since then it has ceased to trade, and it is the intention of the directors to leave it dormant for the foreseeable future.

Results for the Year and Future Prospects

The results of the company for the year are set out in detail on page 4. The loss for the year after tax was £13,828 (1997 - loss of £107,199) which has been transferred to reserves. The directors do not recommend the payment of a dividend.

Directors and Directors' Interests

The directors at the date of this report and who served during the year were as follows:

LL Anderson
JJ Beveridge
LP Brennan
J Finn
A Ramsdale

No director was at 31 December 1998, or at any time during the year then ended, beneficially interested in any shares of the company or its UK parent company.

Share Capital

There have been no issues of share capital during the year.

FRANK RUSSELL INVESTMENTS (UK) LIMITED

Directors' Report for the Year Ended 31 December 1998

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 period. 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.

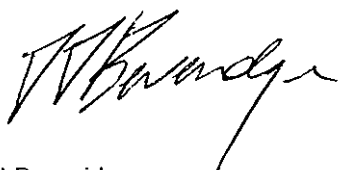
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors to the Company on 23 September 1998 and the new firm, PricewaterhouseCoopers, was appointed by the board to fill the casual vacancy.

PricewaterhouseCoopers have expressed their willingness to continue in office and resolutions appointing them as auditors and authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



JJ Beveridge
Director

13 April 1999

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY
Telephone +44 (0) 171 939 3000
Facsimile +44 (0) 171 378 0647
Direct phone 0171 939 2617
Direct fax 0171 939 3313

AUDITORS' REPORT TO THE SHAREHOLDERS OF FRANK RUSSELL INVESTMENTS (UK) LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out in note 1.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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 Companies Act. 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.

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 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

13 April 1999

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FRANK RUSSELL INVESTMENTS (UK) LIMITED

Profit and Loss Account For the Year Ended 31 December 1998

	Notes	1998 £	1997 £
Turnover	1	44,848	487,544
Other operating charges		(58,427)	(593,154)
Operating Loss	2	(13,579)	(105,610)
Interest payable on intercompany loan		(249)	(1,589)
Loss on Ordinary Activities Before Taxation		(13,828)	(107,199)
Tax on loss on ordinary activities	8	-	-
Loss on Ordinary Activities After Taxation Transferred to Reserves	6	(13,828)	(107,199)

The company has no gains or losses in the year other than the results in the above profit and loss account. The results in the above profit and loss account arise wholly from continuing activities.

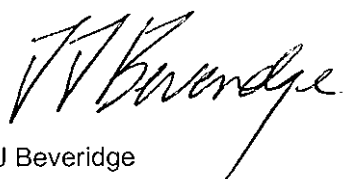
The notes on pages 6 to 8 form part of these financial statements.

FRANK RUSSELL INVESTMENTS (UK) LIMITED

Balance Sheet for the Year Ended 31 December 1998

	Notes	1998 £	1997 £
Current Assets			
Debtors	3	243,977	153,041
Cash at bank and in hand		40,682	354,192
		284,659	507,233
Creditors - (Amounts falling due within one year)	4	(205,515)	(414,261)
Total Assets Less Current Liabilities		79,144	92,972
Capital and Reserves			
Called up share capital	5	250,000	250,000
Profit and loss account	6	(170,856)	(157,028)
Shareholders' Funds	7	79,144	92,972

Approved by the Board of Directors on 13 April 1999
and signed on their behalf



JJ Beveridge
Director

Details of movements in shareholders' funds are provided in note 7.

The notes on pages 6 to 8 form part of these financial statements.

FRANK RUSSELL INVESTMENTS (UK) LIMITED

Notes to the Financial Statements For the Year Ended 31 December 1998

1. Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The principal accounting policies adopted are set out below:

Turnover

Turnover comprises amounts chargeable to the Frank Russell authorised unit trust for its management.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Items of a revenue nature denominated in foreign currencies are translated at the exchange rate ruling at the date of the transaction. All exchange differences are dealt with in the profit and loss account.

Cash flow statement

The Company has taken advantage of the exemption provided by FRS1 (Revised) and has not prepared a cash flow statement, as it is a greater than 90% owned subsidiary of a group whose accounts are publicly available.

Related parties

The company has taken advantage of the exemption provided under FRS 8 with respect to disclosure of related party transactions, as it is a greater 90% owned subsidiary of a company whose accounts are publicly available.

2. Operating Loss

Operating loss is arrived at after charging:

	1998	1997
	£	£
Auditors' remuneration	1,000	5,500
Other amounts paid to auditors	9,400	61,178
Management fee payable to ultimate parent undertaking	(15,891)	46,220
Fee payable to group undertaking	10,000	60,000

Frank Russell Investments (UK) Limited employs no members of staff and the directors received no remuneration or compensation for holding office.

FRANK RUSSELL INVESTMENTS (UK) LIMITED

Notes to the Financial Statements For the Year Ended 31 December 1998

3. Debtors

	1998	1997
	£	£
Trade debtors	-	140,038
Amounts owed by UK parent undertaking	150,000	-
Amounts owed by other group undertakings	93,977	13,003
	243,977	153,041

4. Creditors - (Amounts falling due within one year)

	1998	1997
	£	£
Amounts owed to ultimate parent undertaking	42,455	58,096
Amounts owed to other group undertakings	149,060	263,115
Accruals and deferred income	14,000	93,050
	205,515	414,261

5. Called up Share Capital

	1998	1997
	£	£
Authorised		
5,000,000 ordinary shares of £1 each (1997 : 5,000,000)	5,000,000	5,000,000
Allotted, issued and fully paid		
250,000 ordinary shares of £1 each (1997 : 250,000)	250,000	250,000

FRANK RUSSELL INVESTMENTS (UK) LIMITED

Notes to the Financial Statements For the Year Ended 31 December 1998

6. Reserves

	Profit and Loss account £
Balance at 1 January 1998	(157,028)
Retained loss for the year	(13,828)
Balance at 31 December 1998	(170,856)

7. Reconciliation of Movement in Shareholders' Funds

	1998 £	1997 £
Loss for the financial year	(13,828)	(107,199)
Net decrease in shareholders' funds	(13,828)	(107,199)
Opening shareholders' funds	92,972	200,171
Closing shareholders' funds	79,144	92,972

8. Tax on Loss on Ordinary Activities

No provision has been made for taxation due to the loss incurred during the year and the availability of tax losses brought forward.

9. Commodity Futures Trading Commission

The information contained herein is presented in accordance with the provisions of any exemption from the Commodity Futures Trading Commission available to funds whose participants are limited to qualified eligible participants.

10. Parent Undertakings

The immediate parent undertaking of Frank Russell Investments (UK) Limited and the smallest group to prepare consolidated financial statements is Russell Systems Limited registered in England. Copies of group financial statements can be obtained from 6 Cork Street, London W1X 1PB.

The ultimate parent undertaking and the largest group to prepare consolidated financial statements is Frank Russell Company incorporated in the United States of America. Copies of group financial statements can be obtained from PO Box 1616, Tacoma, Washington, USA.