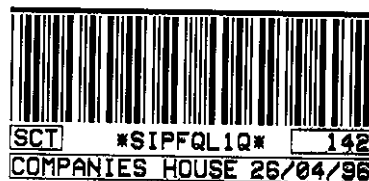


BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as **BRITANNIA LIFE INVESTMENT MANAGERS LIMITED**)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1995

COMPANY REGISTRATION NUMBER 101825



BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
REPORT BY THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1995

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the provision of investment management services and investment advice.

The Directors are satisfied with the growth and performance of the business during the year.

SIGNIFICANT EVENTS

On 1 January 1995, the Company's name was changed to Britannia Investment Managers Limited.

On 1 September 1995 the Company's immediate parent undertaking (Britannia Life Limited) transferred its interest in the Company from its policyholders fund to the shareholders fund. Whilst Britannia Life Limited retains the shares of the Company, these are held on behalf of Britannia Building Society in the shareholders' fund.

FINANCIAL STATEMENTS

The profit for the year was £1,034,892 (1994 - £981,497) and the funds under management by the Company amounted to £3,519m at 31 December 1995 (31 December 1994 - £2,560m).

The audited financial statements together with relevant notes and report of the auditors are shown on pages 4 to 12 .

An interim dividend of £1,450,000 was paid during the year (1994 - £256,750). The Directors do not recommend the payment of a final dividend (1994 - £Nil). There is a surplus of £940,945 (1994 - £1,356,053) carried forward in reserves.

DIRECTORS AND THEIR INTERESTS

Directors :	T J Bayley	FCA, Chairman
	P V Burdon	MA FIA
	D O'Neil	BSc FFA, Managing Director
	J E Heaps	FCIB MIMgt
	F M Shaw	FCA FCIB CIMgt
	C M Winter	CBE FCIB

The above Directors served throughout the year to 31 December 1995 and are Directors of the immediate parent undertaking. T J Bayley, P V Burdon and J E Heaps are Directors of the ultimate parent undertaking. On 21 November 1995, P V Burdon resigned as Chairman of the Company. T J Bayley was appointed as Chairman on 21 November 1995. F M Shaw resigned as a Director of the Company with effect from 31 December 1995. No Director held any beneficial interest in the share capital of the Company.

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
REPORT BY THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1995 (CONT'D)

EMPLOYMENT OF DISABLED PERSONS

It is the Company's policy to ensure that full and fair opportunities are given to the employment, training and career development of disabled persons according to their aptitudes and abilities, and to retain in employment, retrain or allow to retire on pension as appropriate, any member of staff who becomes disabled.

EMPLOYEE COMMUNICATIONS

The Company maintains communications with its employees through regular publications and team briefings with all staff.

INSURANCE ARRANGEMENTS

The ultimate parent maintained a Directors' and Officers' liability insurance policy during the year.

FUTURE DEVELOPMENTS

The Company is actively seeking to expand through both development and acquisition and is actively seeking further segregated funds to manage.

AUDITORS

Price Waterhouse will be proposed for reappointment as Auditors at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

27 March 1996

Registered Office :
Britannia Court
50 Bothwell Street
GLASGOW G2 6HR

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS 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 period. In preparing these 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 ensuring appropriate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure 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' REPORT TO THE MEMEBERS OF
BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
FOR THE YEAR ENDED 31 DECEMBER 1995**

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF 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 as at 31 December 1995 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Glasgow

Chartered Accountants
and Registered Auditors
27 March 1996

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u> £	<u>1994</u> £
Turnover	1	5,798,713	4,406,122
Administrative expenses		<u>(4,460,301)</u>	<u>(3,064,902)</u>
Operating Profit	3	1,338,412	1,341,220
Income from interest in group undertaking		129,450	-
Interest Receivable		118,286	86,277
Interest Payable	2	<u>(1,956)</u>	<u>-</u>
Profit on ordinary activities before taxation		1,584,192	1,427,497
Taxation	6	<u>(549,300)</u>	<u>(446,000)</u>
Profit on ordinary activities after taxation		1,034,892	981,497
Dividend		<u>(1,450,000)</u>	<u>(256,750)</u>
(Loss)/profit retained in year taken to reserves	11	<u><u>(415,108)</u></u>	<u><u>724,747</u></u>

Recognised Gains and Losses

The Company has no recognised gains or losses for the current or prior years other than those detailed above.

The notes on pages 8 to 12 are an integral part of these financial statements.

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
BALANCE SHEET
AS AT 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		£	£
FIXED ASSETS			
Investments	7	<u>150,498</u>	<u>231,420</u>
CURRENT ASSETS			
Debtors	8	97,584	1,132,548
Cash at Bank		<u>1,514,343</u>	<u>2,234,872</u>
		1,611,927	3,367,420
CREDITORS :			
Amounts falling due within one year	9	<u>(371,380)</u>	<u>(1,792,687)</u>
Net Current Assets		<u>1,240,547</u>	<u>1,574,733</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,391,045</u>	<u>1,806,153</u>
CAPITAL AND RESERVES :			
Share Capital	10	450,100	450,100
Profit and Loss Account	11	<u>940,945</u>	<u>1,356,053</u>
TOTAL SHAREHOLDERS' FUNDS	12	<u>1,391,045</u>	<u>1,806,153</u>

The financial statements were approved by the Directors on 19 March 1996.

The notes on pages 8 to 12 are an integral part of these financial statements.


Director

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	13	1,055,490	1,147,185
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from interest in group undertaking	129,450	-	-
Interest Received	118,286	86,277	-
Interest Paid	(1,956)	-	-
Dividend paid	(1,450,000)	(256,750)	-
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(1,204,220)	(170,473)
TAXATION			
Corporation tax paid	(571,799)	-	-
NET CASH OUTFLOW FROM TAXATION		(571,799)	-
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	15	<u>(720,529)</u>	<u>976,712</u>

The notes on pages 8 to 12 are an integral part of these financial statements.

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

1. ACCOUNTING POLICIES

- 1.1 The financial statements are prepared under the historical cost convention in compliance with the Companies Act 1985, and in accordance with applicable Accounting Standards.
- 1.2 Turnover represents income from management agreements for investment management services, a continuing activity.
- 1.3 The Company operates pension arrangements for its employees through the pension fund of Britannia Life Limited. The funding of the scheme is considered on a group basis. The Profit and Loss Account charge is the regular pension cost required to provide employee benefits over their anticipated service lives. Full details of the actuarial assumptions in the calculations of the pension contributions can be found in the financial statements of the immediate parent company.
- 1.4 Investments are valued at net asset value.

2. INTEREST PAYABLE

Interest payable is in respect of Bank interest charged during the year.

3. OPERATING PROFIT

Operating profit is stated after charging :

	<u>Note</u>	<u>1995</u> £	<u>1994</u> £
Staff Costs	4	<u>1,742,500</u>	<u>1,856,992</u>

Auditors' remuneration is borne by Britannia Life Limited.

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 1995

4. STAFF COSTS

	<u>1995</u>	<u>1994</u>
	£	£
Wages and salaries	1,453,550	1,562,536
Other pension costs	128,210	163,026
Social Security costs	<u>160,740</u>	<u>131,430</u>
	<u>1,742,500</u>	<u>1,856,992</u>

The average number of employees was 56(1994 - 59).

5. DIRECTORS' REMUNERATION

The Directors of the Company are also Directors of the holding company. T J Bayley and J E Heaps are remunerated by Britannia Building Society. The other Directors are remunerated by Britannia Life Limited. The Directors do not believe that it is practicable to apportion the total remuneration between their services as Directors to the Company and their services as Directors of the holding company.

6. TAXATION

The taxation charge for the year comprises :

	<u>1995</u>	<u>1994</u>
	£	£
Corporation Tax charged at 33%	520,000	441,000
Prior year adjustments	10,300	5,000
Tax credit on UK dividends received	<u>19,000</u>	<u>-</u>
	<u>549,300</u>	<u>446,000</u>

7. INVESTMENTS

The investment represents 7.6% of the issued Share Capital of Britannia Fund Managers Limited and was valued according to the accounting policy stated in Note 1. The original cost of the investment was £100,000.

8. DEBTORS

	<u>1995</u>	<u>1994</u>
	£	£
Trade Debtors	70,366	122,309
Other Debtors	25,535	18,222
Amount due from fellow group undertakings	<u>1,683</u>	<u>992,017</u>
	<u>97,584</u>	<u>1,132,548</u>

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 1995

9. CREDITORS :

Amounts falling due within one year:

	<u>1995</u>	<u>1994</u>
		£
Amount due to immediate parent company	90,454	1,241,361
Amount due to fellow group undertakings	-	242,000
Accruals	9,902	15,803
Corporation Tax	<u>271,024</u>	<u>293,523</u>
	<u>371,380</u>	<u>1,792,687</u>

10. SHARE CAPITAL

The authorised and issued share capital of the Company consists of :-

	<u>Authorised</u>	<u>Issued and Fully Paid</u>	
	<u>Number</u>	<u>Number</u>	£
Ordinary Shares of 10p each	<u>9,999,000</u>	<u>4,501,000</u>	<u>450,100</u>

There was no movement in the authorised and issued share capital during the year.

11. PROFIT AND LOSS ACCOUNT

	<u>1995</u>	<u>1994</u>
		£
Balance at 1 January	1,356,053	631,306
(Loss)/Profit retained for year	<u>(415,108)</u>	<u>724,747</u>
Balance at 31 December	<u>940,945</u>	<u>1,356,053</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1995</u>	<u>1994</u>
		£
Total recognised gains and losses	1,034,892	981,497
Dividend Paid	<u>(1,450,000)</u>	<u>(256,750)</u>
	<u>(415,108)</u>	<u>724,747</u>
Shareholders' funds at 1 January	<u>1,806,153</u>	<u>1,081,406</u>
Shareholders' funds at 31 December	<u>1,391,045</u>	<u>1,806,153</u>

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (CONT'D)

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1995</u> £	<u>1994</u> £
Operating Profit	1,338,412	1,341,220
(Increase) / Decrease in debtors	1,034,964	(973,613)
Increase / (Decrease) in creditors	(1,398,808)	872,070
Loss/(Gain) from investment in associate	<u>80,922</u>	<u>(92,492)</u>
Net cash inflow from operating activities	<u>1,055,490</u>	<u>1,147,185</u>

14. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	<u>1995</u> £	<u>1994</u> £
Cash at bank movement :		
At end of year	1,514,343	2,234,872
At start of year	<u>2,234,872</u>	<u>1,258,160</u>
Net cash (outflow)/inflow	<u>(720,529)</u>	<u>976,712</u>

15. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<u>1995</u> £	<u>1994</u> £	<u>Movement</u> £
Cash at Bank	<u>1,514,343</u>	<u>2,234,872</u>	<u>(720,529)</u>

BRITANNIA INVESTMENT MANAGERS LIMITED
(previously known as BRITANNIA LIFE INVESTMENT MANAGERS LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995 (CONT'D)

16. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Britannia Life Limited, which is a company incorporated in Scotland. The Company's ultimate parent undertaking is Britannia Building Society, which is a body registered in England. These financial statements have been included in the consolidated financial statements of Britannia Building Society. A copy of the financial statements of Britannia Building Society is available from :-

Britannia House, Leek, Staffs, ST13 5RG.