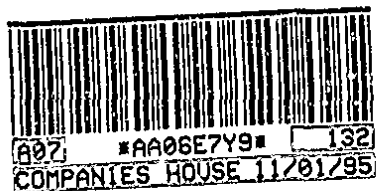


HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
(REGISTERED NO:794936)

REPORT & FINANCIAL STATEMENTS 1994



HILL SAMUEL INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st October 1994.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company carries on the business of fund management and is a member of the Investment Management Regulatory Organisation Limited (IMRO).

RESULTS

The results for the year are shown in the profit and loss account. Interim dividends of £5,000,000 were paid during the year (1993 - nil). No final dividend is proposed (1993 - nil).

FIXED ASSETS

Significant changes in fixed assets made during the year are shown in notes 7 and 8 to the financial statements on pages 12 and 13.

DIRECTORS AND DIRECTORS' INTERESTS

Members of the Board

The present members of the Board are:

	<u>Date Appointed</u>
Mr. R.O. Bernays - Chairman	
Mr. A.J. Ainsworth	
Mr. R. Akester	
Mr. A.E. Backholer	
Mr. P. Baxter	01.07.94
Mr. P.E. Beaven	
Mr. A.W. Boorer	
Mr. A.J. Brunsden	
Miss L.A. Buckett	
Mr. P.G. Cattermull	
Mr. R.A. Cawdron	
Mr. J. Daniels	
Mr. R. Fox	21.11.94
Miss. E.H. Gold	
Mrs. P.J. Gould	
Mr. S.H. Holdsworth	
Mr. D. Ives	
Mr. L. Johnson	
Mr. L.J.H. Johnston	
Mr. P.W. Jones	
Mr. J.R.T. Miller	
Mr. D.F. Sachon	28.06.94
Mr. P. Sharman	

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED

The following also served as directors during the year and resigned on the dates indicated:

	<u>Date Resigned</u>
Mr N.J. Dunn	10.01.1994
Mr A.A. Gaitskell (deceased 30th April 1994)	30.04.1994
Mr J.D. Whiddett	31.08.1994
Mr C.J. Jenkins	07.04.1994
Miss S.J. Jennings	31.03.1994
Mr J.R. Morley	01.02.1994
Mr R.P.Hill	30.11.1994

Directors' Interests in Shares

The directors have no interest in the shares of the company. Their disclosable interests in the ordinary shares of 25p each in TSB Group plc at 31st October 1994, all of which were held beneficially, also of share options granted and exercised, were:

	<u>31st October 1994</u>				<u>31st October 1993</u> (or date of Appointment)			
	<u>Shares</u>	<u>Shares Under Option</u>	<u>Share Options Granted</u>	<u>Share Options Exercised</u>	<u>Shares</u>	<u>Shares Under Option</u>	<u>Share Options Granted</u>	<u>Share Options Exercised</u>
Mr A.J.Ainsworth	-	26,003	10,619	-	-	15,384	15,384	-
Mr R. Akester	1,572	16,583	6,925	-	-	9,658	-	-
Mr A.E.Backholer	28,831	89,836	15,932	18,149	8,940	92,053	16,615	-
Mr. P. Baxter	-	-	-	-	-	-	-	-
Mr P.E.Beaver	16,147	239,597	10,622	4,875	9,530	233,850	24,615	-
Mr R.O.Bernays	4,829	351,407	30,358	-	3,087	321,049	79,057	-
Mr A.W.Boorer	1,287	26,465	14,961	-	1,287	11,504	-	-
Mr A.J.Brunsdon	150	39,127	-	2,655	150	41,782	21,048	-
Ms L.A.Buckett	-	25,276	8,849	-	-	16,427	-	-
Mr P.G.Cattermull	-	12,389	12,389	-	-	-	-	-
Mr R.A.Cawdron	17,246	115,597	10,991	38,897	11,754	143,503	18,461	-
Mr J.Daniels	6,601	58,268	8,849	-	4,859	49,419	9,230	-
Miss E.H.Gold	-	72,575	-	3,750	-	76,325	20,013	-
Mrs P.J.Gould	4,234	74,940	12,389	-	4,234	62,551	19,692	-
Mr R.P.Hill	11,460	45,705	5,151	-	9,718	40,554	9,230	-
Mr S.H.Holdsworth	2,916	23,751	4,247	-	1,174	19,504	-	-
Mr D.Ives	-	76,564	10,619	3,750	10,000	69,695	15,384	-
Mr L.Johnson	53,212	173,948	18,696	4,875	46,595	160,127	26,461	-
Mr L.J.H.Johnston	22,797	34,830	11,327	4,875	16,180	28,378	11,076	-
Mr P.W.Jones	7,856	23,049	10,622	4,875	2,981	17,302	-	-
Mr J.R.T.Miller	18,632	60,880	12,389	66,115	11,959	114,606	16,615	-
Mr. D.F.Sachon	-	53,060	15,911	-	-	37,149	-	-
Mr P.Sharman	3,087	101,583	20,353	-	3,087	81,230	43,076	-

The shares under option at 31st October 1994 were outstanding under TSB Group share option schemes and are exercisable between 1994 and 2004 at prices from 54.4p to 282.5p per share.

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED

ELECTIVE RESOLUTION

At the Annual General Meeting held on 11 April 1994, the company passed an elective resolution pursuant to Section 379A of the Companies Act 1985 dispensing with the holding of Annual General Meetings, the laying of annual reports and accounts before the shareholders in a general meeting, and the re-appointment of auditors by the company.

By Order of the Board

L. J. Johnston

L. J. H. Johnston
Director

10 Fleet Place
London EC4M 7RH
20th December 1994

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
DIRECTORS RESPONSIBILITY STATEMENT

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 a going concern basis unless it is inappropriate to presume that the company will continue its 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and to detect fraud and any other irregularities.

REPORT OF THE AUDITORS, KPMG PEAT MARWICK
TO THE MEMBERS OF
HILL SAMUEL INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements on pages 7 to 14.

Respective responsibilities of directors and auditors

As described on page 5 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 October 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

London
22 December 1994

KPMG PEAT MARWICK
Chartered Accountants
Registered Auditors

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 1994

	Note	<u>1994</u> £	<u>1993</u> £
Turnover	2		
Continuing operations		22,134,996	11,573,892
Acquisitions		<u>-</u>	<u>8,791,408</u>
		22,134,996	20,365,300
Administrative expenses		<u>(16,722,220)</u>	<u>(15,959,067)</u>
Operating profit		5,412,776	4,406,233
Interest receivable & similar income	3a	585,517	639,399
Interest payable & similar charges	3b	<u>(1,689)</u>	<u>(3,756)</u>
Profit on ordinary activities before tax	4	5,996,604	5,041,876
Tax on profit on ordinary activities	6	<u>(2,234,581)</u>	<u>(1,642,910)</u>
Profit on ordinary activities after tax		3,762,023	3,398,966
Dividend		<u>(5,000,000)</u>	<u>-</u>
Retained (loss)/profit for the financial year		(1,237,977)	3,398,966
Retained profit/(loss) brought forward		<u>1,471,206</u>	<u>(1,927,760)</u>
Retained profit carried forward		<u>233,229</u>	<u>1,471,206</u>

Statement of total recognised gains and losses

The company made no recognised gains or losses in either this or the previous period, other than those disclosed in the profit and loss account, and accordingly a statement of recognised gains or losses has not been prepared.

The notes on pages 9 to 14 form part of these financial statements

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
BALANCE SHEET AT 31ST OCTOBER 1994

		<u>1994</u>		<u>1993</u>	
		£	£	£	£
Fixed Assets					
Tangible assets	7	769,226		1,422,489	
Investments	8	<u>250,200</u>		<u>294,300</u>	
			1,019,426		1,716,789
Current assets					
Debtors	9	5,230,666		4,533,848	
Cash at bank and in hand		<u>9,553,037</u>		<u>9,353,288</u>	
		14,783,703		13,887,136	
Creditors:					
Amounts falling due within one year	10	<u>(5,855,100)</u>		<u>(5,332,619)</u>	
Net current assets			<u>8,928,603</u>		<u>8,554,517</u>
Provisions for liabilities and charges	11		<u>(914,700)</u>		<u>-</u>
Net assets			<u>9,033,329</u>		<u>10,271,306</u>
Share capital and reserves					
Called up share capital	12		440		440
Share premium account			6,799,660		6,799,660
Other reserves			2,000,000		2,000,000
Profit & loss account			<u>233,229</u>		<u>1,471,206</u>
			<u>9,033,329</u>		<u>10,271,306</u>

These financial statements were approved by the board of directors on ⁶20 December 1994 and were signed on its behalf by:


R. O. Bernays Director

The notes on pages 9 to 14 form part of these financial statements

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1994

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

a. Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. The company is exempt by virtue of S.228 of the Companies Act 1985 from the requirement to prepare group accounts and to deliver them to the Registrar of Companies. The company is included in the consolidated accounts of the ultimate holding company, as stated in Note 15.

b. Depreciation

Leasehold property is amortised by equal instalments over the unexpired term of the lease.

Computers and other equipment are depreciated on a straight line basis over their estimated useful lives of generally between three and ten years.

c. Foreign currencies

Foreign revenues and costs are translated during the period at the rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

d. Development expenditure

Development expenditure is written off as it is incurred.

e. Deferred taxation

Deferred taxation is provided under the liability method on material timing differences.

f. Pensions

Based on actuarial advice, pension costs are charged to the profit and loss account on a basis whereby the regular cost is a substantially level percentage of the current and expected future pensionable payroll. Variations from the regular cost are allocated over the average remaining service lives of current employees.

g. Fixed asset investments

Fixed asset investments are valued at the lower of cost and net realisable value.

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1994

2. Turnover

Turnover represents fees which are accounted for on the basis of amounts receivable for services rendered, and is predominantly from group companies within the United Kingdom.

3a. Interest receivable and similar income

	<u>1994</u>	<u>1993</u>
	£	£
Interest receivable from parent and fellow subsidiary undertakings	490,109	210,542
Interest receivable from external sources	4,716	191,766
Other income	<u>90,692</u>	<u>237,091</u>
	<u>585,517</u>	<u>639,399</u>

3b. Interest payable and similar charges

	<u>1994</u>	<u>1993</u>
	£	£
Interest payable to group undertakings	1,689	3,756
	<u> </u>	<u> </u>

4. Profit on ordinary activities before tax

The profit on ordinary activities before tax for the year is arrived at after charging the following items:

	<u>1994</u>	<u>1993</u>
	£	£
Depreciation	436,494	605,538
Auditors' remuneration - audit work	31,700	31,700
Auditors' remuneration - non audit work	37,300	29,700
Development expenditure	-	123,103
Loss/(profit) on exchange	8,046	(56,032)
Redundancy costs	512,953	551,671

5. Directors' and employees' emoluments

Aggregate emoluments paid to employees, including directors, were:

	<u>1994</u>	<u>1993</u>
	£	£
Salaries	8,377,909	8,740,137
Social security costs	681,554	714,679
Other pension costs	815	-
	<u>9,060,278</u>	<u>9,454,816</u>

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1994

5. Directors' and employees' emoluments (cont'd)

The average number of employees employed by the company during the year was 183 (1993 - 186)

Emoluments of the directors, which were all paid for services as executives, including pension contributions and benefits in kind, amounted to £2,712,108 (1993 - £1,996,933).

Benefits in kind comprise car allowances and private health insurance.

One director received compensation for loss of office during the year which amounted to £86,144 (1993 - £290,500).

	<u>1994</u> £	<u>1993</u> £
Emoluments of the chairman (excluding pension contributions)	-	-
Highest paid director (excluding pension contributions)	213,244	166,927

The number of directors including the chairman and highest paid director, whose aggregate emoluments, excluding pension contributions, fell within the following bands were:

			<u>No. of Directors</u>	
			<u>1994</u>	<u>1993</u>
£0	-	£5,000	6	6
£5,001	-	£10,000	-	4
£10,001	-	£15,000	1	-
£15,001	-	£20,000	1	1
£20,001	-	£25,000	1	1
£25,001	-	£30,000	-	1
£30,001	-	£35,000	1	1
£35,001	-	£40,000	-	1
£40,001	-	£45,000	-	3
£45,001	-	£50,000	1	1
£50,001	-	£55,000	-	1
£55,001	-	£60,000	1	1
£60,001	-	£65,000	-	1
£65,001	-	£70,000	1	1
£70,001	-	£75,000	-	1
£75,001	-	£80,000	-	1
£80,001	-	£85,000	-	1
£85,001	-	£90,000	-	3
£90,001	-	£95,000	1	1
£95,001	-	£100,000	-	1
£100,001	-	£105,000	-	1
£105,001	-	£110,000	5	3
£110,001	-	£115,000	2	-
£115,001	-	£120,000	2	-
£120,001	-	£125,000	1	-
£125,001	-	£130,000	2	-
£130,001	-	£135,000	-	1
£135,001	-	£140,000	1	-
£140,001	-	£145,000	-	1
£145,001	-	£150,000	-	1
£150,001	-	£155,000	-	1
£155,001	-	£160,000	-	1
£160,001	-	£165,000	-	1
£165,001	-	£170,000	1	-
£170,001	-	£175,000	1	-
£175,001	-	£180,000	1	-
£180,001	-	£185,000	1	-
£185,001	-	£190,000	1	-
£190,001	-	£195,000	1	-
£195,001	-	£200,000	1	-
£200,001	-	£205,000	1	-
£205,001	-	£210,000	1	-
£210,001	-	£215,000	1	-

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1994

6 Taxation

The debit for taxation, which is based on the profit for the year, comprises:

	<u>1994</u>	<u>1993</u>
	£	£
Group relief payable at 33%	2,234,000	1,640,000
Over-provision in prior year	-	(280)
Deferred Taxation	-	3,190
Irrecoverable ACT	<u>581</u>	<u>-</u>
	<u>2,234,581</u>	<u>1,642,910</u>

Group relief is considered available on the basis of the tax computations of other group companies as at 31st October 1994.

At 31st October 1994 a deferred tax asset of £157,961 (1993 - £160,978) calculated on a full provision basis at a corporation tax rate of 33% arising from timing differences on fixed assets has not been included on the company's balance sheet.

7. Tangible assets

	<u>Short Leasehold</u>	<u>Equipment</u>	<u>Total</u>
<u>Cost</u>			
At 1st November 1993	1,476,790	4,117,494	5,594,284
Additions	-	551,891	551,891
Disposals	(1,476,790)	(1,120,440)	(2,597,230)
At 31st October 1994	<u>-</u>	<u>3,548,945</u>	<u>3,548,945</u>
<u>Depreciation</u>			
At 1st November 1993	967,585	3,204,210	4,171,795
Disposals	(1,000,854)	(827,716)	(1,828,570)
Charge for the year	<u>33,269</u>	<u>403,225</u>	<u>436,494</u>
At 31st October 1994	<u>-</u>	<u>2,779,719</u>	<u>2,779,719</u>
<u>Net Book Value</u>			
At 31st October 1994	<u>-</u>	<u>769,226</u>	<u>769,226</u>
At 31st October 1993	<u>509,205</u>	<u>913,284</u>	<u>1,422,489</u>

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS - 31ST OCTOBER 1994

8. Investments

The company owns the whole of the issued share capital of the following dormant companies, which are registered in England and Wales:

	<u>£1 Ordinary Shares</u>
Hill Samuel Asset Management International Limited	100
Hill Samuel Asset Management Limited	100

It also owns the whole of the issued share capital of the following company, which is registered in England and Wales:

TSB Investment Management Limited	150,000
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At 31st October 1993 the company also held the whole of the issued share capital in Hill Samuel Pension Investment Management Limited and Target Investment Management Limited. Hill Samuel Pension Investment Management Limited was dissolved on 31st August 1994. An application was made under section 65 of the Companies Act on 10th October 1994 to dissolve Target Investment Management. This process is due to be completed within three months of application.

Investments are analysed as follows:

	£
Shares in subsidiary undertakings	150,200
Other investments	<u>100,000</u>
	<u>250,200</u>

9. Debtors

	<u>1994</u>	<u>1993</u>
	£	£
Trade debtors	1,663,052	1,341,136
Amounts owed by parent undertaking and fellow subsidiaries	1,149,389	1,077,739
Other debtors	95,882	68,474
Prepayments and accrued income	<u>2,322,343</u>	<u>2,046,499</u>
	<u>5,230,666</u>	<u>4,533,848</u>

10. Creditors: amounts falling due within one year

	<u>1994</u>	<u>1993</u>
	£	£
Trade creditors	95,323	28,061
Amounts owed to parent undertaking and fellow subsidiaries	96,636	87,211
Amounts owed to subsidiaries	150,000	183,693
Other creditors including taxation and social security	2,503,627	1,970,245
Accruals and deferred income	<u>3,009,514</u>	<u>3,063,409</u>
	<u>5,855,100</u>	<u>5,332,619</u>

The analysis of other creditors including taxation and social security is as follows:

	<u>1994</u>	<u>1993</u>
	£	£
Group relief payable	2,234,000	1,640,000
Social security	239,945	239,010
Other	<u>29,682</u>	<u>91,235</u>
	<u>2,503,627</u>	<u>1,970,245</u>

HILL SAMUEL INVESTMENT MANAGEMENT LIMITED
NOTES TO THE ACCOUNTS - 31ST OCTOBER 1994

11. Provisions for liabilities and charges

	<u>1994</u>	<u>1993</u>
	<u>£</u>	<u>£</u>
Charge for the year in the profit and loss account	914,700	-

Provision has been made in the accounts for certain contingent liabilities to the extent that the directors consider such liabilities may crystallise.

12. Share capital

	<u>1994</u>	<u>1993</u>
	<u>£</u>	<u>£</u>
Ordinary shares of £1 each:		
Authorised	1,000	1,000
Allotted, called up and fully paid	440	440

13. Cashflow Statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking.

14. Pensions

The Company is a member of the TSB Group Pension Scheme. The Scheme is of the defined benefit, final salary type. It is self administered and is funded to cover future liabilities, based on accrued service to date, including expected future earnings and pension increases. Formal actuarial valuations are carried out annually, the latest at 1 November 1993.

The valuations showed that the actuarial values of the assets were in excess of the benefits accrued to members. The nil rate of contribution to the scheme, now reflected in the current year charge, has been established so as to eliminate the surplus over a period not less than the average remaining service life of current employees.

Further details of the most recent valuations and main actuarial assumptions are disclosed in the accounts of TSB Group plc. The actuaries to the scheme are employed by Sedgwick Noble Lowndes.

15. Holding companies

The company's holding company is Hill Samuel Asset Management Group Limited (formerly Hill Samuel Investment Management Group Limited). Its ultimate holding company is TSB Group plc., which is incorporated in Great Britain and registered in Scotland. The only group in which the results of the company are consolidated is that headed by TSB Group plc. Copies of the financial statements of TSB Group plc may be obtained from the head office at 60 Lombard Street, London EC3V 9DN.