

Hill Samuel Investment Management Limited

Registered Number 794936

Directors' report and financial statements
for the fourteen month period ended
31 December 1995



Hill Samuel Investment Management Limited

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Hill Samuel Investment Management Limited

Directors' report

The directors present their report and the audited financial statements of the company as at 31 December 1995 and for the fourteen month period then ended. The company has changed its accounting reference date to 31 December. Comparative figures are for the year ended 31 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 period are shown in the profit and loss account. Interim dividends of £500,000 were paid during the period (1994 - £5,000,000). No final dividend is proposed (1994 - nil).

Fixed assets

Significant changes in fixed assets made during the period are shown in notes 8 and 9 to the financial statements on page 13.

Directors

The present members of the Board are:

	<u>Date Appointed</u>
Mr. P. G. Cattermull	
Mr. J. C. Naylor	01.12.95
Mr. D. F. Sachon	
Mr. C. J. L. Samuel	03.04.95

Hill Samuel Investment Management Limited

Directors' report (cont'd)

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

	<u>Date Appointed</u>	<u>Date Resigned</u>
Mr. A. J. Ainsworth		01.12.95
Mr. R. Akester		01.12.95
Mr. A. E. Backholer		01.12.95
Mr. P. Baxter		01.12.95
Mr. P. E. Beaven		08.03.95
Mr. A. W. Boorer		01.12.95
Mr. A. J. Brunsden		01.12.95
Miss L. A. Buckett		01.12.95
Mr. R. A. Cawdron		01.12.95
Mr. J. Daniels		01.12.95
Mr. R. Fox	03.04.95	01.12.95
Miss E. H. Gold		01.12.95
Mrs P. J. Gould		01.12.95
Mr. S. H. Holdsworth		01.12.95
Mr. D. Ives		01.12.95
Mr. L. Johnson		01.12.95
Mr. L. J. H. Johnston		30.04.95
Mr. P. W. Jones		01.12.95
Mr. J. R. T. Miller		01.12.95
Mr. R. O. Bernays		31.01.96
Mr. P. Sharman		31.01.96

Directors' Interests in Shares

The directors have no interest in the shares of the company. Their disclosable interests, held beneficially, in the ordinary shares of 25p each in Lloyds TSB Group plc, including share options granted and exercised, at 31 December 1995 were:

	31st December 1995				31st October 1994 (or date of appointment)			
	Shares held	Shares Under Option	Share Options Granted in period	Share Options Exercised in period	Shares held	Shares Under Option	Share Options Granted in year	Share Options Exercised in year
Mr.R.O.Bernays	8,353	388,520	37,113	-	4,829	351,407	30,358	-
Mr. P. G. Cattermull	3,524	40,681	28,292	-	-	12,389	12,389	-
Mr. D. F. Sachon	-	73,678	20,618	-	-	53,060	15,911	-
Mr.P.Sharman	6,611	126,325	24,742	-	3,087	101,583	20,353	-

The shares under option at 31st December 1995 were outstanding under Lloyds TSB Group share option schemes and are exercisable between 1996 and 2005 at prices from 103p to 282.5p per share.

Hill Samuel Investment Management Limited

Directors' report (cont'd)

Directors' and Officers' Insurance

The company's ultimate parent company, Lloyds TSB Group plc, maintains insurance in respect of the directors and officers of Lloyds TSB Group plc and its subsidiaries.

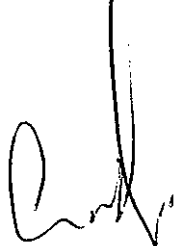
Elective resolution

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.

Auditors

On 6 February 1995 our auditors changed the name under which they practice to KPMG and, accordingly, have signed the report in their new name.

By Order of the Board



C. J. L. Samuel
Director

10 Fleet Place
London EC4M 7RH

15 March 1996

Hill Samuel Investment Management 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 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.

Hill Samuel Investment Management Limited

Report of the Auditors, KPMG, to the members of Hill Samuel Investment Management Limited

We have audited the financial statements on pages 7 to 16.

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 affairs of the company as at 31 December 1995 and of its profit for the fourteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

kpmg

KPMG
Chartered Accountants
Registered Auditors

8 Salisbury Square
London EC4Y 8BB

15 March 1996

Hill Samuel Investment Management Limited

Profit and loss account

		14 Months to 31 December 1995	Year ended 31 October 1994
	Note	£	£
Turnover	<i>1b</i>	28,312,105	22,134,996
Administrative expenses		(20,595,775)	(16,722,220)
Operating profit		7,716,330	5,412,776
Interest receivable and similar income	2	693,431	585,517
Interest payable and similar charges	3	(1,368)	(1,689)
Profit on ordinary activities before tax	4	8,408,393	5,996,604
Tax on profit on ordinary activities	7	(2,779,000)	(2,234,581)
Profit on ordinary activities after tax		5,629,393	3,762,023
Dividends		(500,000)	(5,000,000)
Retained profit/(loss) for the financial period	14	5,129,393	(1,237,977)

Statement of total recognised gains and losses.

The company made no recognised gains and 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.

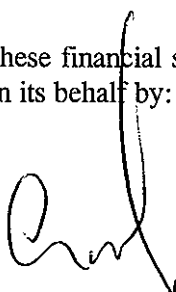
The notes on pages 9 to 16 form part of these financial statements

Hill Samuel Investment Management Limited

Balance sheet

		31 December 1995 £	31 October 1994 £
	<i>Note</i>		
Fixed assets			
Tangible assets	8	770,995	769,226
Investments	9	250,200	250,200
		<u>1,021,195</u>	<u>1,019,426</u>
Current assets			
Debtors	10	11,389,472	5,230,666
Cash at bank and in hand		9,085,213	9,553,037
		<u>20,474,685</u>	<u>14,783,703</u>
Creditors: Amounts falling due within one year	11	(6,385,505)	(5,855,100)
Net current assets		<u>14,089,180</u>	<u>8,928,603</u>
Total assets less current liabilities		<u>15,110,375</u>	<u>9,948,029</u>
Provisions for liabilities and charges	12	(947,653)	(914,700)
Net assets		<u>14,162,722</u>	<u>9,033,329</u>
Capital and reserves			
Called up share capital	13	440	440
Share premium account		6,799,660	6,799,660
Other reserves		2,000,000	2,000,000
Profit and loss account	14	5,362,622	233,229
	15	<u>14,162,722</u>	<u>9,033,329</u>

These financial statements were approved by the board of directors on 15 March 1996 and were signed on its behalf by:


C. J. L. Samuel
Director

The notes on pages 9 to 16 form part of these financial statements

Hill Samuel Investment Management Limited

Notes to the Financial Statements

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 in accordance with applicable accounting standards and under the historical cost accounting rules. 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 financial statements present information about the company as an individual company and not about the group. The company is included in the consolidated accounts of the ultimate holding company, as stated in Note 18.

b. 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.

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. Fixed assets and depreciation

Leasehold property is amortised by equal instalments over the unexpired term of the lease. Other fixed assets are depreciated on a straight line basis over their estimated useful lives using the following annual rates:

Computer equipment	-	33.3%
Office equipment	-	33.3%
Furniture and fittings	-	10%
Motor vehicles	-	25%

e. Investments

Shares in the subsidiary companies are included in the accounts of the company at cost. Other investments are valued at the lower of cost and net realisable value.

f. Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided or credited using the liability method on timing differences to the extent that they are expected to reverse in the foreseeable future and is calculated at the rate at which it is estimated that tax will be payable or refunded.

g. 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.

Hill Samuel Investment Management Limited

Notes to the Financial Statements (cont'd)

h. 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 of Lloyds TSB Group plc.

2. Interest receivable and similar income

	14 Months to 31 December 1995 £	Year ended 31 October 1994 £
Interest receivable from parent and fellow subsidiary undertakings	640,635	490,109
Interest receivable from external sources	1,456	4,716
Other income	51,340	90,692
	<u>693,431</u>	<u>585,517</u>

3. Interest payable and similar charges

Interest payable to group undertakings	1,368	1,689
	<u>1,368</u>	<u>1,689</u>

4. Profit on ordinary activities before tax

The profit on ordinary activities before taxation is stated after charging:

	14 Months to 31 December 1995 £	Year ended 31 October 1994 £
Depreciation	443,461	436,494
Auditors' remuneration - audit work	46,234	31,700
Auditors' remuneration - non audit work	27,300	37,300
(Profit)/Loss on exchange	(629)	8,046
Profit on disposal of assets	50,713	35,191

Hill Samuel Investment Management Limited

Notes to the Financial Statements (cont'd)

5. Remuneration of directors

Emoluments of the directors, which were all paid for services as executives, including pension contributions and the estimated money value of benefits in kind, amounted to £3,023,748 (1994 - £2,712,108). Benefits in kind comprise car allowances and private health insurance.

The emoluments, excluding pension contributions, of the chairman were £nil (1994 - £nil). The emoluments, excluding pension contributions, of the highest paid director were £615,589 (1994 - £213,244).

In 1995, eleven directors were remunerated by other group companies and no charge was borne by the company.

No director received compensation for loss of office during the period (1994 - £86,144).

The emoluments, excluding pension contributions, of the directors were within the following ranges:

		<u>1995</u>	<u>1994</u>
£0	-	11	6
£30,001	-	-	1
£35,001	-	-	1
£50,001	-	-	1
£60,001	-	-	1
£75,001	-	-	1
£85,001	-	1	-
£95,001	-	-	1
£105,001	-	1	-
£110,001	-	1	5
£115,001	-	-	2
£120,001	-	1	2
£125,001	-	1	1
£130,001	-	-	2
£145,001	-	-	1
£150,001	-	3	-
£170,001	-	-	1
£175,001	-	-	1
£205,001	-	1	1
£210,001	-	-	1
£245,001	-	1	-
£265,001	-	1	-
£325,001	-	1	-
£330,001	-	1	-
£615,001	-	1	-

Hill Samuel Investment Management Limited

Notes to the Financial Statements (cont'd)

6. Staff numbers and costs (including directors)

	14 Months to 31 December 1995 £	Year ended 31 October 1994 £
Wages and salaries	9,143,491	8,377,909
Social security costs	741,024	681,554
Other pension costs	247	815
	<u>9,884,762</u>	<u>9,060,278</u>
Average number of employees	153	183

7. Taxation

The charge for taxation, which is based on the profit for the period, comprises:

	14 months to 31 December 1995 £	Year ended 31 October 1994 £
Group relief payable at 33% (1994 - 33%)	2,780,000	2,234,000
Adjustment relating to an earlier year	(1,000)	-
Irrecoverable ACT	-	581
	<u>2,779,000</u>	<u>2,234,581</u>

Group relief is considered available on the basis of the tax computations of other group companies as at 31 December 1995.

At 31 December 1995 a deferred tax asset of £127,974 (1994 - £157,961) 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.

Hill Samuel Investment Management Limited

Notes to the Financial Statements (cont'd)

8. Tangible assets

	Equipment £
Cost	
At 1st November 1994	3,548,945
Additions	598,053
Disposals/intra group transfers	(1,289,355)
At 31st December 1995	2,857,643
Depreciation	
At 1st November 1994	2,779,719
Disposals/intra group transfers	(1,136,532)
Charge for the year	443,461
At 31st December 1995	2,086,648
Net Book Value	
At 31st December 1995	770,995
At 31st October 1994	769,226

9. Investments

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

	£1 Ordinary Shares
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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Investments are analysed as follows:

	£
Shares in subsidiary undertakings	150,200
Other investments	100,000
	250,200

Hill Samuel Investment Management Limited

Notes to the Financial Statements (cont'd)

10. Debtors

	31 December 1995 £	31 October 1994 £
Trade debtors	581,378	1,663,052
Amounts owed by parent undertaking and fellow subsidiaries	7,685,449	1,149,389
Other debtors	22,182	95,882
Prepayments and accrued income	3,100,463	2,322,343
	<u>11,389,472</u>	<u>5,230,666</u>

11. Creditors: amounts falling due within one year

	31 December 1995 £	31 October 1994 £
Trade creditors	255,870	95,323
Amounts owed to parent undertaking and fellow subsidiaries	200,242	96,636
Amounts owed to subsidiaries	150,000	150,000
Other creditors including taxation and social security	3,209,734	2,503,627
Accruals and deferred income	2,569,659	3,009,514
	<u>6,385,505</u>	<u>5,855,100</u>

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

	31 December 1995 £	31 October 1994 £
Group relief payable	2,780,000	2,234,000
Social security	-	239,945
Other	429,734	29,682
	<u>3,209,734</u>	<u>2,503,627</u>

Hill Samuel Investment Management Limited

Notes to the Financial Statements (cont'd)

12. Provisions for liabilities and charges

	31 December 1995 £	31 October 1994 £
At beginning of period	914,700	-
Charge for the year in the profit and loss account	32,953	914,700
	<hr/>	<hr/>
At end of period	947,653	914,700
	<hr/>	<hr/>

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

13. Share Capital

	31 December 1995 £	31 October 1994 £
Ordinary shares of £1 each:		
Authorised	1,000	1,000
	<hr/>	<hr/>
Allotted, called up and fully paid	440	440
	<hr/>	<hr/>

14. Profit and loss account

	31 December 1995 £	31 October 1994 £
Opening profit and loss account	233,229	1,471,206
Transfer from profit and loss account of the period	5,129,393	(1,237,977)
	<hr/>	<hr/>
Closing profit and loss account	5,362,622	233,299
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Hill Samuel Investment Management Limited

Notes to the Financial Statements (cont'd)

15. Reconciliation of Movement in Shareholders' Funds

	31 December 1995 £	31 October 1994 £
Profit/(Loss) for the financial period	5,129,393	(1,237,977)
Opening shareholders' funds	9,033,329	10,271,306
Closing shareholders' funds	<u>14,162,722</u>	<u>9,033,329</u>

16. Capital Commitments and Contingent Liabilities

There were no other contingent liabilities other than those mentioned in note 12, or capital commitments either authorised or contracted for at 31 December 1995 (1994 - nil).

17. 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 1994.

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 Lloyds TSB Group plc. The actuaries to the scheme are employed by Sedgwick Noble Lowndes.

18. Ultimate holding company

The company is a subsidiary undertaking of Hill Samuel Asset Management Group Limited, a company registered in England and Wales. The ultimate holding company is Lloyds TSB Group plc (formerly TSB Group plc), a company which is incorporated and registered in Scotland. The only group in which the results of the company are consolidated is that headed by Lloyds TSB Group plc. Copies of the accounts of Lloyds TSB Group plc can be obtained from The Secretary's Department, Lloyds TSB Group plc, 71, Lombard Street, London EC3P 3BS.