

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE)
LIMITED

Directors

C.P.T. Vaughan-Johnson
H.B. Smith
P. Mellor
D.A. Sykes
J.H.P. Masters
L.I. Gabb

Company Secretary and Registered Office

R.E. Butlin, FCIS
Austin Friars House
2-6 Austin Friars, London EC2N 2HE

Company Registration No:

1585283

Auditors

KPMG
P.O. Box 695
8 Salisbury Square
London EC4Y 8BB

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 30th June, 1995.

Review of Activities

The Company continues to provide systems support and international marketing services and has started to provide investment management and advisory services during the year. The Company is authorised under the Financial Services Act as a member of IMRO (the Investment Management Regulatory Organisation) to provide these services.

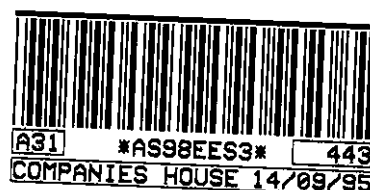
Results

The net loss after taxation for the year ended 30th June, 1995 amounted to £511,205 which has been transferred to reserves.

The Directors do not recommend payment of a dividend.

Fixed Assets

The movements in fixed assets are set out on page 10 in Note 5.



BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

Directors

The following directors served on the Board during the year:

C.P.T. Vaughan-Johnson	
H.B. Smith	Appointed 1st July, 1994
P. Mellor	Appointed 1st July, 1994
D.A. Sykes	
R.A. Affleck	Resigned 8th June, 1995
J.H.P. Masters	Appointed 6th March, 1995
L.I. Gabb	Appointed 8th June, 1995

Directors' Interests

None of the Directors had any interests in the share capital of the Company at the beginning or end of the year.

Company Secretary

E.A.Beattie resigned as Secretary on 31st July 1994, and R.A.Affleck was appointed on 1st August, 1994.

R.A.Affleck resigned as Secretary on 8th June, 1995, and R.E.Butlin was appointed on the same date.

Auditors

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

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

By Order of the Board



R.E.BUTLIN, FCIS
Company Secretary

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) 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 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.

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

AUDITORS' REPORT TO THE MEMBERS OF
BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

We have audited the financial statements on pages 5 to 13.

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 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 the 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 30th June, 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

September 4, 1995
London

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
Turnover	1(b)	1,857,954	1,018,174
Administrative Expenses		2,403,451	1,956,654
		<hr/>	<hr/>
Operating Loss	2	(545,497)	(938,480)
Interest Received		19,718	17,155
		<hr/>	<hr/>
Loss on Ordinary Activities before Taxation		(525,779)	(921,325)
Taxation	4	(14,574)	8,410
		<hr/>	<hr/>
Loss for the Financial Year		(£511,205)	(£929,735)
		<hr/>	<hr/>
Summary of Accumulated Losses			
At 1st July, 1994		(5,259,776)	(4,330,041)
Capital reduction	11	5,250,000	-
Retained Loss for the Financial Year		(511,205)	(929,735)
		<hr/>	<hr/>
At 30th June, 1995		(£520,981)	(£5,259,776)
		<hr/>	<hr/>

There are no recognised gains or losses (1994: no recognised gains or losses) other than the retained loss (1994: loss) for the financial year.

The Notes on pages 7 to 13 form part of these Financial Statements.

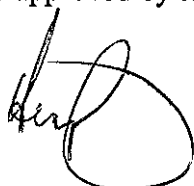
BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

BALANCE SHEET AS AT 30TH JUNE, 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
Fixed Assets			
Tangible Assets	5	1,078,677	392,946
Investments	6	4	4
		<hr/>	<hr/>
		1,078,681	392,950
		=====	=====
Current Assets			
Debtors	7	444,166	146,843
Cash at Bank and in Hand		869,872	731,150
		<hr/>	<hr/>
		1,314,038	877,993
Less: Creditors Amounts Falling Due within One Year			
	8	611,393	530,719
		<hr/>	<hr/>
Net Current Assets		702,645	347,274
		=====	=====
Total Assets less Current Liabilities		1,781,326	740,224
Less: Creditors Amounts Falling Due after One Year			
	9	52,307	-
		<hr/>	<hr/>
		£1,729,019	£740,242
		=====	=====
Capital and Reserves			
Called Up Share Capital	11	2,250,000	6,000,000
Profit and Loss Account		(520,981)	(5,259,776)
		<hr/>	<hr/>
		£1,729,019	£740,224
		=====	=====

These financial statements were approved by the Board of Directors on 4th September, 1995 and signed on its behalf by

H.B.Smith



The Notes on pages 7 to 13 form part of these Financial Statements.

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1995

1. Principal Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover consists of investment management and advisory fees, representation, international marketing and systems support services, net of value added tax.

(c) Depreciation

Depreciation and amortisation have been calculated to write off the cost of assets over their expected useful lives at the following rates:

Leasehold Improvements	- 20%
Furniture and Fittings	- 20%
Communication Equipment	- 33 1/3%
Computer Equipment	- 20%
Motor Vehicles	- 33 1/3%

(d) Deferred Taxation

A deferred taxation provision is made only when the effects of timing differences between profits as stated in the financial statements and as computed for taxation purposes are likely to reverse in the foreseeable future and result in a tax payment.

(e) Pension Contributions

The Company currently participates in a defined contribution pension scheme operated by an external agency. The charge against profits is the amount of contributions payable to the scheme in respect of the accounting period.

(f) Foreign Currencies

Assets and liabilities in foreign currencies have been stated in sterling at rates ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate on the date of the transaction. Exchange differences arising in the ordinary course of business activities are included in Operating Loss in the Profit and Loss Account.

(g) Operating Leases

Operating Lease payments are charged to Operating Loss in the period in which they are incurred.

(h) Finance Leases

Fixed assets held under finance leases have been capitalised in the balance sheet at fair value. The finance charge on the leases is allocated on a straight line basis over the lease term.

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1995
(Continued)

1. Principal Accounting Policies (Continued)

(i) Cash Flow Statement

The Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking and the financial statements of the immediate parent company include a cash flow statement for the Group.

2. Operating Loss

Operating Loss is stated after charging:

	<u>1995</u>	<u>1994</u>
	£	£
Directors' Emoluments (Note 3)	356,112	115,191
Depreciation on Tangible Fixed Assets	321,699	177,525
Depreciation in respect of Assets under Finance Leases	48,334	-
Charges on Finance Leases	11,086	-
Operating Leases -		
Motor Vehicles and Office Equipment	6,120	29,562
Office Building	119,130	-
Auditors' Remuneration - Audit Work	8,450	4,750
- Non-audit Work	4,650	8,900

3. Directors and Employees

Directors' emoluments excluding pension contributions are as follows:

	<u>1995</u>	<u>1994</u>
Highest Paid Director	£100,865	£61,332
Chairman	£71,542	-
	=====	=====

The emoluments of directors fell within the following bands:

	<u>1995</u>	<u>1994</u>
Nil to £5,000	3	5
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-
£60,001 - £65,000	-	1
£70,000 - £75,000	1	-
£75,001 - £80,000	1	-
£100,001 - £105,000	1	-

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1995
(Continued)

3. Directors and Employees (Continued)

	<u>1995</u>	<u>1994</u>
Staff Costs (including Directors)		
Wages and Salaries and Related Costs	945,681	819,704
Social Security Costs	29,217	75,380
Pension Costs	23,715	32,177
	<hr/>	<hr/>
	£998,613	£927,261
	=====	=====
Average Number of Persons Employed by the Company during the Year was:		
Operational	17	13
Financial	2	2
Administrative	4	4
	<hr/>	<hr/>
	23	19
	=====	=====

Staff costs are recharged to Fellow Subsidiary Undertakings on the basis of services performed on behalf of those companies.

4. Taxation

	<u>1995</u>	<u>1994</u>
United Kingdom Corporation Tax for the year at 33%	-	6,855
(Overprovision)/Underprovision in Respect of Prior Years	(14,574)	1,555
	<hr/>	<hr/>
	(£14,574)	£8,410
	=====	=====

During the year, the Company's basis of taxation was changed to a D I trading basis with the agreement of the UK tax authorities. The Company started on this basis with a deemed tax loss brought forward of £1.9m.

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1995
(Continued)**

5. Fixed Assets - Tangible Assets

	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Computer and Communications</u>	<u>Total</u>
Cost				
At 1st July, 1994	-	207,670	824,338	1,032,008
Additions	743,490	142,084	170,190	1,055,764
Disposals	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June, 1995	<u>£743,490</u>	<u>£349,754</u>	<u>£994,528</u>	<u>£2,087,772</u>
Depreciation				
At 1st July, 1994	-	191,399	447,663	639,062
Charge for Year	123,291	63,991	182,751	370,033
Disposals	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June, 1995	<u>£123,291</u>	<u>£255,390</u>	<u>£630,414</u>	<u>£1,009,095</u>
Net Book Value				
At 30th June, 1994	-	£16,271	£376,675	£392,946
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June, 1995	<u>£620,199</u>	<u>£94,364</u>	<u>£364,114</u>	<u>£1,078,677</u>

The net book value of assets held under finance leases is £77,956.

6. Fixed Assets - Investments

	<u>1995</u>	<u>1994</u>
Shares in Group Undertakings	£4	£4
	<u> </u>	<u> </u>

7. Debtors, Amounts Falling Due within One Year

	<u>1995</u>	<u>1994</u>
Amounts owed by Fellow Subsidiary Undertakings	155,243	28,002
Other Debtors	170,116	81,170
Prepayments and Accrued Income	118,807	37,671
	<u> </u>	<u> </u>
	<u>£444,166</u>	<u>£146,843</u>
	<u> </u>	<u> </u>

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1995
(Continued)

8. Creditors, Amounts Falling Due within One Year

	<u>1995</u>	<u>1994</u>
Trade Creditors	84,355	140,842
Amount owed to Parent and Fellow Subsidiary Undertakings	236,381	100,000
Accruals	163,519	233,571
Other Creditors including Taxation and Social Security:		
Corporation Tax	-	4,285
Other Taxes and Social Security	59,435	52,021
Other creditors	34,036	-
	<hr/>	<hr/>
Obligations under Finance Leases	93,471 33,667	56,306 -
	<hr/>	<hr/>
	£611,393	£530,719
	=====	=====

9. Creditors, Amounts Falling Due After One Year

	<u>1995</u>	<u>1994</u>
Obligations under Finance Leases	£52,307	-
	=====	=====

10. Obligations under Finance Leases

	<u>1995</u>	<u>1994</u>
Gross Obligations Under One Year	43,267	-
Over One Year		
In Second to Fifth Year inclusive	60,408	-
	<hr/>	<hr/>
	103,675	-
Less Amounts Representing Future Finance Charges	(17,701)	-
	<hr/>	<hr/>
Net Obligations	85,974	-
	<hr/>	<hr/>
Due within One Year	33,667	-
Due after More than One Year	52,307	-
	<hr/>	<hr/>
	£85,974	-
	=====	=====

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1995
(Continued)

11. Called Up Share Capital

	<u>1995</u>	<u>1994</u>
Authorised:		
10,000,000 ordinary shares of £1 each	£10,000,000 =====	£10,000,000 =====
Allotted, Called Up and Fully Paid:		
2,250,000 ordinary shares of £1 each	£2,250,000 =====	£6,000,000 =====

On 25th August, 1994 the Company issued 750,000 Ordinary £1 shares at par.

On 15th November, 1994 the Company issued 500,000 Ordinary £1 shares at par.

Both issues were allotted for cash to increase the Company's capital base.

On 26th April, 1995 the authorised share capital of the Company was by virtue of a Special Resolution and with the sanction of the High Court of Justice reduced from £10,000,000 divided into 10,000,000 Ordinary Shares of £1 each to £2,000,000 divided into 7,250,000 Ordinary Shares of 27.586207p. Upon such reduction, the 7,250,000 Ordinary Shares were consolidated and divided into 2,000,000 Ordinary Shares of £1 each and the authorised share capital of the Company was increased to £10,000,000 by the creation of 8,000,000 Ordinary Shares of £1 each. The purpose of the restructure was to eliminate the negative reserves held on the Company's balance sheet.

On 13th June, 1995 the Company issued 250,000 Ordinary £1 shares at par. The shares were allotted for cash to further increase the Company's capital base.

12. Reconciliation of Movements in Shareholders' Funds

	<u>1995</u>	<u>1994</u>
Opening Shareholders' Funds	740,224	(130,041)
Share Capital	1,500,000	1,800,000
Retained Loss for the Financial Year	(511,205)	(929,735)
Closing Shareholders' Funds	£1,729,019 =====	£740,224 =====

BERMUDA INTERNATIONAL INVESTMENT MANAGEMENT (EUROPE) LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE, 1995
(Continued)

13. Other Financial Commitments

At 30th June, 1995, the Company had annual commitments under operating leases as follows:

	<u>1995</u>	<u>1994</u>
Operating Leases which expire within:		
One Year		
Office Equipment and Motor Vehicles	-	£1,722
	=====	=====
In the Second to Fifth Year inclusive		
Office Equipment and Motor Vehicles	6,120	18,312
Office Building	115,874	115,874
	-----	-----
	£121,994	£134,186
	=====	=====

14. Pension Contributions

The pension charge for the year to 30th June, 1995 was £23,715 (1994: £32,177).

15. Loans to Directors

Included in Other Debtors is a loan to a director of £1,921 at June 30th, 1995 (1994: £3,582).

16. Ultimate Holding Company

The largest group in which the results of the Company are consolidated is that headed by The Bank of Bermuda Limited, incorporated in Bermuda. The consolidated accounts of this company are available to the public and can be obtained from Austin Friars House, 2-6 Austin Friars, London EC2N 2HE.

The smallest group in which the results of the Company are consolidated is that headed by Bermuda (UK) Holdings Limited. The consolidated accounts of this company are not available to the public.