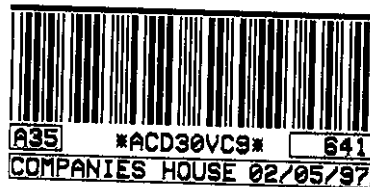


Company registration number: 1944779

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER, 1996



KPMG Audit Plc
8 Salisbury Square, London, EC4Y 8BB

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITED

Directors

A.N. Solomons - Chairman

J. Hodson - Deputy Chairman

R.R. Clough
T.R. Howe
T.G. Nash
A.N.G. Tibbits
R. Fiddemont
A.C. Flather

R.G. Sargent
R.W. Killingbeck
D.R. Poole
C.J.H. Buzzard
M.C.G. Firth
G.R. Bowring

Directors (Non Executive)

T.S. Rowan
W.J. Murden

Secretary

R. Fiddemont

Assistant Directors

G.W. Nightingale
P. Sullivan
M.C. Walker
J.J. Cotton
D.A. Pelham
A.D.S. Liddle
A.N. Banks
J.S. Kemp

N.C. Ferguson
M. Embley
N.M. Williams
A. Myles Newton
R. Giles
E. Edwardes-Ker
T. Comins
T. Holliday
V. Dunlop

AUDITORS

KPMG Audit Plc
Chartered Accountants

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report together with the financial statements of the company for the year ended 31st December, 1996.

REVIEW OF THE YEAR

The principal activity of the company comprises the provision of investment management services.

The results for the year are set out in the profit and loss account on page 5. A dividend of £1,000,000 was paid in October 1996 and no final dividend is proposed for the year (1995: £nil).

DIRECTORS' AND OFFICERS' INSURANCE

The ultimate parent undertaking maintained an insurance policy for the directors and officers against liabilities incurred in the conduct of their duties throughout the year.

DIRECTORS

The names of the directors of the company appear at the head of this report. The directors have served throughout the year.

Mr. M E L Melliush served as a director until his resignation from the board on 30th June 1996.

The Articles of Association of the company do not require the directors to retire by rotation.

DIRECTORS' INTERESTS

The company is a wholly owned subsidiary undertaking of Singer & Friedlander Holdings Limited whose ultimate parent undertaking is Singer & Friedlander Group PLC.

The following directors had beneficial interests in the share and loan capital of Singer & Friedlander Group PLC at 31st December, 1996 and 31st December 1995, or date of appointment if later, as follows:

	Ordinary shares of 10p each		Options to acquire shares under the terms of the Executive Share Option Scheme		Options to acquire shares under terms of the Sharesave Scheme	
	31.12.96	31.12.95	31.12.96	31.12.95	31.12.96	31.12.95
T.G. Nash	-	-	200,000	200,000	57,434	57,434
A.N.G. Tibbits	56,760	75,000	20,000	20,000	57,434	57,434
R. Fiddemont	-	-	-	160,000	57,434	57,434
A.C. Flather	-	-	150,000	150,000	-	-
R. G. Sargent	-	-	50,000	50,000	-	-
D.R. Poole	-	-	50,000	-	20,668	20,668
R.W. Killingbeck	-	-	100,000	100,000	24,497	24,497
R. Bowring	-	-	-	12,500	16,855	16,855
T. S. Rowan	-	-	-	-	31,959	43,070

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITEDREPORT OF THE DIRECTORS

(continued)

Messrs. T.G. Nash, A.N.G. Tibbits, R. Fiddemont, A.C. Flather, G.R. Bowring, R. G. Sargent, R.W. Killingbeck, T. S. Rowan and D.R. Poole had no interests, other than those shown above, in the share and loan capital of Singer & Friedlander Group PLC at 31st December, 1996.

Messrs. C.J.H. Buzzard, M.C.G. Firth and W.J. Murden had no interest in share or loan capital of Singer & Friedlander Group PLC at 31st December, 1996.

At 31st December, 1996 all the other directors of this company were directors of Singer & Friedlander Holdings Limited. Accordingly, their interests in the share and loan capital of Singer & Friedlander Group PLC and its subsidiary undertakings are not required to be recorded in this company's register of director's interests.

AUDITORS

On 16th July 1996 KPMG resigned as auditors of the Company. KPMG Audit Plc were appointed auditors of the Company to fill the casual vacancy.

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 result 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD



R. Fiddemont
Secretary

Registered office:
21 New Street,
Bishopsgate,
LONDON, EC2M 4HR.

29 April, 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF
SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 9.

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 31st December 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Registered auditor

29 April, 1997

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST DECEMBER, 1996

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
Continuing Operations			
Turnover	1	9,536,467	7,319,419
Management fees payable to Singer & Friedlander Limited	1	<u>(9,648,467)</u>	<u>(7,319,419)</u>
OPERATING LOSS		(112,000)	-
Dividend received from subsidiary undertaking		1,000,000	-
Interest receivable		112,000	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,000,000	-
Tax on profits on ordinary activities		-	-
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		1,000,000	-
Dividend payable		(1,000,000)	-
Retained profit brought forward		-	-
		<hr/>	<hr/>
RETAINED PROFIT CARRIED FORWARD		-	-
		=====	=====

The company has no other recognised gains or losses other than those included in the profit and loss account.

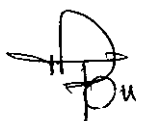
The notes on pages 7 to 9 form part of these financial statements.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITEDBALANCE SHEET AT 31ST DECEMBER, 1996

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Investment in subsidiary undertakings	2	175,510	175,510
CURRENT ASSETS			
Trade debtors		2,546	-
Prepayments and accrued income		1,062,420	-
Other debtors		166,505	-
Settlement balances		385,689	-
Amounts owed by Singer & Friedlander Ltd		3,005,004	824,490
Cash at bank and in hand		762,643	-
		<u>5,384,807</u>	<u>824,490</u>
Creditors: Amounts falling due within one year			
Bank overdrafts		4,681	-
Amounts owed to Singer & Friedlander Ltd		2,005,537	-
Other creditors		125,669	-
Settlement balances		385,689	-
Accruals and deferred income		38,741	-
		<u>2,560,317</u>	<u>-</u>
NET CURRENT ASSETS		<u>2,824,490</u>	<u>824,490</u>
NET ASSETS		<u>3,000,000</u>	<u>1,000,000</u>
CAPITAL AND RESERVES			
Called up share capital	3	3,000,000	1,000,000
Profit and loss account		-	-
SHAREHOLDERS' FUNDS	4	<u>3,000,000</u>	<u>1,000,000</u>

The financial statements were approved by the board of directors on 29 April, 1997 and signed on its behalf by:

T.R. HOWE
DIRECTOR



The notes on pages 7 to 9 form part of these financial statements.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS1. ACCOUNTING POLICIESBasis of Preparation

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

Turnover

Under the terms of an Agreement dated 4th March, 1987 the company provides investment management services on behalf of a fellow group company, Singer & Friedlander Limited, to customers of Singer & Friedlander Limited.

Singer & Friedlander Limited has undertaken to provide all administrative functions necessary to enable the company to conduct its business and in particular, Singer & Friedlander Limited has made available to the company the exclusive services of personnel from among its staff who have particular expertise in investment management. These personnel remain employees of, and are remunerated by, Singer & Friedlander Limited and such details of their remuneration as are required to be disclosed are set out in the financial statements of that company.

Under the Agreement dated 4th March 1987 and supplemental deed, Singer & Friedlander Limited shall be entitled to be reimbursed by the company at such intervals and in relation to such periods as the parties shall from time to time agree such amounts as the parties may agree not exceeding the fees and commissions received by the company in connection with the business for such periods and the company shall reimburse Singer & Friedlander Limited in respect of such amount within such period as the parties may from time to time agree.

Cash flow

The company is a wholly owned subsidiary of a parent undertaking which prepares consolidated financial statements including a consolidated cash flow statement. It is therefore exempt under Financial Reporting Standard 1 from preparing its own cash flow statement.

Consolidated Accounts

Singer & Friedlander Investment Management Limited is a wholly owned subsidiary undertaking of a company incorporated in Great Britain, and accordingly group financial statements have not been prepared.

2. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	<u>1996</u>	<u>1995</u>
	£	£
Shares in subsidiary undertakings at cost	175,510	175,510
	=====	=====

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS
(continued)

The subsidiary undertakings which are all wholly owned, are:

<u>Company</u>	<u>Country of incorporation</u>
Singer & Friedlander Unit Trust Management Limited	England & Wales
Singer & Friedlander International Asset Management Limited	England & Wales
Haxted Investment Management Limited	England & Wales

In the opinion of the directors, the aggregate value of shares in the company's subsidiary undertakings are not less than the amount at which those assets are stated or included in the balance sheet.

3. SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
<u>Authorised</u>		
Ordinary shares of £1 each	4,500,000	1,000,000
	=====	=====
<u>Allotted, called up, and fully paid</u>		
Ordinary shares of £1 each	3,000,000	1,000,000
	=====	=====

On 27 September 1996, by ordinary resolution, the authorised share capital of the company was increased to £4,500,000 by the creation of 3,500,000 ordinary shares of £1 each.

On 1 November 1996, 2,000,000 ordinary shares of £1 each, fully paid, were issued for cash consideration of £2,000,000. This was to increase the capital for regulatory purposes.

4. SHAREHOLDERS' FUNDS

	<u>1996</u> £	<u>1995</u> £
1 st January	1,000,000	1,000,000
Profits attributable to shareholders	1,000,000	-
Dividends	(1,000,000)	-
Issue of ordinary shares	2,000,000	-
	=====	=====
31 st December	3,000,000	1,000,000

5. DIRECTORS' EMOLUMENTS

All emoluments paid to the directors are in respect of their services to Singer & Friedlander Limited, a fellow group undertaking. Accordingly these are not required to be disclosed in this company's financial statements.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT LIMITEDNOTES TO THE FINANCIAL STATEMENTS

(continued)

6. PARENT AND ULTIMATE PARENT UNDERTAKINGS

The company's immediate parent is Singer & Friedlander Holdings Limited, a company incorporated in England & Wales. The company's results are included in the consolidated financial statements of Singer & Friedlander Group PLC, its ultimate parent undertaking, a company incorporated in England and Wales.

Copies of the group financial statements of Singer & Friedlander Group PLC, which is the smallest and largest group in which the results of this company are consolidated, can be obtained from this company's registered office.

7. RELATED PARTY DISCLOSURES

Financial Reporting Standard No. 8: Related Party Disclosures (FRS 8) has been applied to these financial statements for the first time.

FRS 8 grants a partial exemption to subsidiary undertakings from its requirements, provided that 90% or more of the voting rights of the Company are controlled within the group, and the subsidiary is included in publicly available consolidated financial statements.

The directors of the Company have taken advantage of this exemption in respect of transactions between the Company and other qualifying group undertakings.