

METLIFE INVESTMENTS LIMITED

Report and Financial Statements

31 December 1997

**Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR**



REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

L Launer (Chairman)

D Hawk

C E Symington

F Donnantuono

W G Takacs

REGISTERED OFFICE

1 Angel Court

London

EC2R 7HJ

SECRETARY

W G Takacs

BANKERS

Chase Manhattan Bank

SOLICITORS

Latham & Watkins

AUDITORS

Deloitte & Touche

Chartered Accountants

Stonecutter Court

1 Stonecutter Street

London EC4A 4TR

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

ACTIVITIES

The principal activity of the company during the year has been to provide investment advice to its ultimate parent company.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The profit for the year after taxation amounted to £175,670 (1996: £128,927). The directors are satisfied with the development of the company's activities during the year and are confident regarding the long term prospects of the company.

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 as at the end of the financial year 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;
- prepare the financial statements on a 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.

DIRECTORS AND DIRECTORS' INTERESTS IN SHARES

The names of the directors at the date of this report are set out on page 1. The directors who served during the year were:

L Launer
D Hawk
C E Symington
W G Takacs
F Donnantuono

None of the directors had any interests in the share capital of the company or any other group company at any time during the year.

**DIRECTORS' REPORT****DIVIDENDS**

No dividends are proposed in respect of the year. The retained profit of £175,670 has been transferred to reserves.

AUDITORS

Pursuant to section 386 of the Companies Act 1985, an Elective Resolution was passed dispensing with the requirement to appoint Auditors annually. Deloitte & Touche are therefore deemed to continue as Auditors.

Approved by the Board of Directors
and signed on behalf of the Board on 15 May 1998

Secretary



Chartered Accountants

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

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METLIFE INVESTMENTS LIMITED AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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.

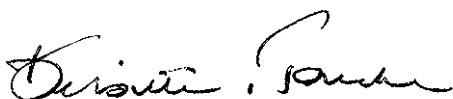
Basis of opinion

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 at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and
Registered Auditors
15 May 1998


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	1997 £	1996 £
TURNOVER	2	2,652,259	1,790,965
Administrative expenses		(2,410,944)	(1,628,034)
Operating profit		241,315	162,931
Interest receivable		27,297	26,208
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	268,612	189,139
Tax on profit on ordinary activities	6	(92,942)	(60,212)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		175,670	128,927
Retained profit brought forward		372,781	243,854
RETAINED PROFIT CARRIED FORWARD		<u>548,451</u>	<u>372,781</u>

All of the operations of the company are continuing.

There are no other recognised gains or losses or movements in shareholders' funds other than the profit for the current year and the previous year.

As a result, no statement of total recognised gains and losses or note of movements in shareholders' funds is provided.


BALANCE SHEET
31 December 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	143,768	173,149
CURRENT ASSETS			
Debtors	8	167,828	410,954
Cash at bank and in hand		821,392	366,807
		989,220	777,761
CREDITORS: Amounts falling due within one year	9	(330,188)	(323,780)
NET CURRENT ASSETS		659,032	453,981
TOTAL ASSETS LESS CURRENT LIABILITIES		802,800	627,130
PROVISIONS FOR LIABILITIES AND CHARGES	10	(4,249)	(4,249)
NET ASSETS		798,551	622,881
CAPITAL AND RESERVES			
Called up share capital	11	250,100	250,100
Profit and loss account		548,451	372,781
Equity shareholders' funds		798,551	622,881

These financial statements were approved by the Board of Directors on 15 May 1998.

Signed on behalf of the Board of Directors

F Donnantuono
Director


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below:

Accounting Convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover comprises the value of charges for investment advice.

Interest Income

Interest income is accounted for on an accruals basis.

Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Depreciation

Depreciation is provided to write off the cost of fixed assets on a straight line basis over their estimated useful lives at the following rates:

Office furniture and equipment	-	20% per annum
Leasehold Premises	-	20% per annum

Cash Flow Statement

Advantage has been taken of the exemption under the revised FRS 1 not to present a Statement of Cash Flows as the subsidiary is 90% or more controlled within the MetLife group and the consolidated financial statements are publicly available.

2. TURNOVER

	1997 £	1996 £
The geographical analysis of turnover is as stated below:		
North America	2,652,259	1,790,965

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
This is stated after charging:		
Auditors' remuneration - audit fee	4,000	4,000
Depreciation	54,059	46,317
Directors' emoluments	727,217	310,750


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
4. STAFF COSTS

	1997	1996
	£	£
Wages and salaries (including directors)	<u>1,463,811</u>	<u>793,099</u>

The average number of employees (including directors) during the year was 14 (1996 - 10).

5. DIRECTORS' EMOLUMENTS

	1997	1996
	£	£
Emoluments	<u>727,217</u>	<u>310,750</u>

	1997	1996
	No.	No.
Number of directors who are members of a defined benefit pension scheme	<u>2</u>	<u>2</u>

	1997	1996
	£	£
Highest paid director's remuneration:		
Aggregate emoluments	<u>418,591</u>	<u>226,622</u>

The accrued pension entitlement of the highest paid director at 31 December 1997 was £44,159 per annum.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	1996
	£	£
The taxation charge on the profit for the year comprises:		
United Kingdom corporation tax at 33%	91,171	65,500
Under/(over)provisions for previous years	1,771	(1,872)
Deferred taxation (note 10)	-	(3,416)
	<u>92,942</u>	<u>60,212</u>


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
7. TANGIBLE FIXED ASSETS

	Leasehold premises £	Office furniture and equipment £	Total £
Cost			
At 1 January 1997	68,278	193,713	261,991
Additions	-	24,678	24,678
At 31 December 1997	68,278	218,391	286,669
Depreciation			
At 1 January 1997	17,069	71,773	88,842
Charge for the year	13,655	40,404	54,059
At 31 December 1997	30,724	112,177	142,901
Net book value			
At 31 December 1997	37,554	106,214	143,768
At 31 December 1996	51,209	121,940	173,149

8. DEBTORS

	1997 £	1996 £
Amounts owed by group undertakings	-	248,627
Other debtors and prepayments	167,828	162,327
	167,828	410,954

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Trade creditors	39,719	14,292
Amounts owed to group undertakings	9,504	66,870
Other creditors including taxation and social security	110,499	136,807
Accruals and deferred income	170,466	105,811
	330,188	323,780


NOTES TO THE ACCOUNTS
Year ended 31 December 1997
10. PROVISIONS FOR LIABILITIES AND CHARGES

	1997	1996
	£	£
Deferred taxation - full potential liability	4,249	4,249
Balance at 1 January	4,249	7,665
Profit and loss account credit	(3,729)	(3,416)
Balance at 31 December	520	4,249

The amounts of deferred taxation provided in the accounts are:

	1997	1996
	£	£
Capital allowances in excess of depreciation	520	2,269
Other timing differences	-	1,980
	520	4,249

11. CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Authorised:		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted and fully paid:		
250,100 ordinary shares of £1 each	250,100	250,100

12. RELATED PARTY TRANSACTIONS

MetLife Investments Limited undertook the following material transactions during the period ended 31 December 1997:

	£
Metropolitan Life Insurance Company	
Direct charges	1,882,798
Indirect charges	856,571
	2,739,369

Metropolitan Life Insurance Company is the ultimate controlling party of MetLife Investments Limited with MetLife Investment Management Corporation owning 250,099 ordinary shares and 23rd Street Investments Inc owning 1 ordinary share.

The amounts due to related parties as at 31 December 1997 were:

	£
Management fees payable	
Metropolitan Life Insurance Company	9,504

**NOTES TO THE ACCOUNTS**
Year ended 31 December 1997**13. ULTIMATE PARENT COMPANY**

The company is a subsidiary of Metropolitan Life Insurance Company which is organised under the laws of the State of New York, USA.

Copies of the financial statements of the ultimate parent company can be obtained from 1 Madison Avenue, New York, New York 10010 - 3690, USA