

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2003

KPMG Audit Plc  
8 Salisbury Square, London EC4Y 8BB



## SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

### Directors

J. Hodson – Chairman  
R.W. Killingbeck  
R.I. Curry  
K. Hoggard  
G.M. Muir  
A.P. Shearer

### Secretary

S.P. Doherty

## REPORT OF THE DIRECTORS

The directors present their report, together with the audited financial statements of the Company for the year ended 31st December 2003.

### REVIEW OF THE YEAR AND PRINCIPAL ACTIVITIES

The profit for the year is set out in the profit and loss account on page 6.

The principal activity of the Company is to act as a holding company of the asset management division of Singer & Friedlander Group PLC. The principal subsidiary companies are Singer & Friedlander Investment Management Limited, Singer & Friedlander Investment Management International Limited (registered in England) and Singer & Friedlander Investment Management International Limited (registered in the Isle of Man).

### DIRECTORS

The names of the directors of the Company, as at 31<sup>st</sup> December 2003, appear at the head of this report. The directors have served throughout the year, with the exception of Messrs G.M. Muir, A.P. Shearer and Mrs K. Hoggard who have served as directors since their appointment to the Board on 9<sup>th</sup> June 2003, 11<sup>th</sup> July 2003 and 25<sup>th</sup> September 2003 respectively.

Messrs T.R. Howe and M.E.S. Gibbins served as directors of the Company until their resignations from the Board on 25<sup>th</sup> September 2003 and 31<sup>st</sup> December 2003 respectively.

Mr M. Luboff was appointed a director of the Company on 12<sup>th</sup> May 2003 and resigned on 31<sup>st</sup> October 2003.

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

### DIRECTORS' AND OFFICERS' INSURANCE

The ultimate holding company maintained an insurance policy on behalf of the directors and officers against any liabilities incurred in the conduct of their duties throughout the period.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS  
(Continued)

DIRECTORS' INTERESTS

The Company is a wholly owned subsidiary of Singer & Friedlander Group PLC.

Messrs. J Hodson and A.P. Shearer are directors of Singer & Friedlander Group PLC. Accordingly their interests in the share capital of Singer & Friedlander Group PLC are not required to be recorded in this Company's register of directors' interests.

The following directors had beneficial interests in the share capital of Singer & Friedlander Group PLC at 31<sup>st</sup> December 2003 and 31<sup>st</sup> December 2002:

	Ordinary shares of <u>12p each</u>					
	<u>31.12.03</u>		<u>31.12.02</u>		<u>31.12.02</u>	
G M Muir	2,530				2,530	
	Options to acquire shares under the terms of the Singer & Friedlander Group PLC Approved Share Option Plan all exercisable at a price of <u>305.7p</u>		Options to acquire shares under the terms of the Singer & Friedlander Group PLC Unapproved Share Option Plan all exercisable at a price of <u>305.7p</u>		Options to acquire shares under the terms of the Singer & Friedlander Group PLC Unapproved Share Option Plan all exercisable at a price of <u>177.6p</u>	
	<u>31.12.03</u>	<u>31.12.02</u>	<u>31.12.03</u>	<u>31.12.02</u>	<u>31.12.03</u>	<u>31.12.02</u>
R I Curry	9,800	9,800	50,200	50,200	50,000	-
R W Killingbeck	9,800	9,800	50,200	50,200	50,000	-
G M Muir	9,800	9,800	-	-	-	-

Movement in options to acquire shares under the terms of the Singer & Friedlander  
Group PLC Sharesave Scheme

	<u>Held</u> <u>31.12.02</u>	<u>Exercised</u> <u>during the</u> <u>year at</u> <u>92.8p</u>	<u>Lapsed</u> <u>during</u> <u>the year</u>	<u>Granted during</u> <u>the year at</u> <u>142.6p</u>	<u>Held 31.12.03</u>
K Hoggard	-	-	-	11,115	11,115
R W Killingbeck	13,786	-	-	-	13,786
G M Muir	-	-	-	11,115	11,115

Breakdown of options to acquire shares under the terms of the Singer &  
Friedlander  
Group PLC Sharesave Scheme

	<u>1999</u> <u>122.4p</u>	<u>2002</u> <u>115.4p</u>	<u>2003</u> <u>142.6p</u>	<u>31.12.02</u>
K Hoggard	-	-	11,115	-
R W Killingbeck	13,786	-	-	13,786
G M Muir	-	-	11,115	11,115

The mid market price of an ordinary share of Singer & Friedlander Group Plc at 31<sup>st</sup> December 2003 was 208.25p and the range during 2003 was 112.00p to 225.00p

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit for that period.

In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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.

AUDITORS

In 2000, the Company passed an elective resolution in accordance with Section 386 of the Companies Act 1985, to dispense with the obligation to appoint Auditors annually.

Registered Office:  
21 New Street  
Bishopsgate  
LONDON, EC2M 4HR

BY ORDER OF THE BOARD



S.P. Doherty  
Secretary

17<sup>th</sup> February 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

We have audited the financial statements on pages 6 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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<sup>st</sup> December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

17<sup>th</sup> February 2004

KPMG Audit Plc  
8 Salisbury Square  
London  
EC4Y 8BB

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 2003

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
<i>Continuing Activities</i>			
Income from shares in subsidiary undertakings	1	8,010,000	500,000
Administrative expenses		<u>(5,050)</u>	<u>(2,350)</u>
OPERATING PROFIT		8,004,950	497,650
Other interest receivable and similar income	2	14,910	16,384
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>8,019,860</u>	<u>514,034</u>
Tax on profit on ordinary activities	3	<u>(2,958)</u>	<u>(3,310)</u>
PROFIT FOR THE FINANCIAL YEAR	11	8,016,902	510,724
Dividends		(6,900,000)	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>1,116,902</u>	<u>510,724</u>
Retained profit brought forward		<u>1,607,724</u>	<u>1,097,000</u>
RETAINED PROFIT CARRIED FORWARD		<u>2,724,626</u>	<u>1,607,724</u>

There are no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 8 to 11 form part of these financial statements.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

BALANCE SHEET AT 31ST DECEMBER, 2003

	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
FIXED ASSETS			
INVESTMENTS IN SUBSIDIARY UNDERTAKINGS	6	<u>9,845,000</u>	<u>8,735,000</u>
CURRENT ASSETS			
Debtors	7	2,465	416,383
Cash at Bank	8	417,274	901
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to group undertakings	9	(5,113)	(9,560)
NET CURRENT ASSETS		<u>414,626</u>	<u>407,724</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,259,626</u>	<u>9,142,724</u>
CAPITAL AND RESERVES			
Called up share capital	10	7,535,000	7,535,000
Profit and loss account		<u>2,724,626</u>	<u>1,607,724</u>
SHAREHOLDERS' FUNDS - EQUITY	11	<u>10,259,626</u>	<u>9,142,724</u>

The financial statements were approved by the board of directors on 17<sup>th</sup> February, 2004 and signed on its behalf by:



R.W. Killingbeck  
DIRECTOR

The notes on pages 8 to 11 form part of these financial statements.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS 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.

Basis of preparation

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

Cash flow statement

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.

Income from shares in group undertakings

Dividend income is recognised in the profit and loss account on declaration by the directors of subsidiary undertakings.

Taxation

The charge for taxation is based on the profits for the year and takes into account taxation deferred because of timing differences between the treatment of certain items of taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment for certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Group financial statements

The company is a wholly owned subsidiary undertaking of another company incorporated in Great Britain, and accordingly group financial statements have not been prepared under section 228 of the Companies Act 1985.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit before taxation is stated after charging / (crediting) the following items:

	<u>2003</u> £	<u>2002</u> £
Auditors' remuneration - audit	<u>1,175</u>	<u>2,350</u>
<i>Other interest receivable –</i>		
Sub-ordinated loan interest receivable from		
Singer & Friedlander Investment Management International Limited		
(registered in the Isle of Man)	(13,746)	(16,384)
Bank interest from Singer & Friedlander Limited	<u>(1,164)</u>	<u>-</u>
	<u>(14,910)</u>	<u>(16,384)</u>



SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. TAXATION

	<u>2003</u> £	<u>2002</u> £
Profit on ordinary activities before taxation	<u>8,019,860</u>	<u>514,034</u>
Implied tax charge thereon at 30% (2002 – 30%)	2,405,958	154,210
Non provision of tax on dividends received from subsidiary companies	(2,403,000)	(150,000)
Adjustments in respect of prior periods	-	(900)
Current UK tax charge for the year	<u>2,958</u>	<u>3,310</u>

4. STAFF NUMBERS AND COSTS

No staff were directly employed by the company during the period (2002: nil).

5. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments during the period in respect of their services as directors of the Company (2002: nil).

6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<u>2003</u> £	<u>2002</u> £
<i>Ordinary Shares in subsidiaries at cost:</i>		
Singer & Friedlander Investment Management Limited	8,520,000	7,410,000
Singer & Friedlander Investment Management International Limited (registered in the Isle of Man)	700,000	700,000
Singer & Friedlander Investment Management International Limited (registered in England)	125,000	125,000
<i>Preference Shares in subsidiaries at cost:</i>		
Singer & Friedlander Investment Management International Limited (registered in the Isle of Man)	500,000	500,000
	<u>9,845,000</u>	<u>8,735,000</u>

Singer and Friedlander Investment Management Limited and Singer & Friedlander Management International Limited (registered in England) are both incorporated in England and Wales. Singer & Friedlander Investment Management Limited (registered in the Isle of Man) is incorporated in the Isle of Man.

On 30<sup>th</sup> September 2003, the company subscribed for 1,110,000 ordinary shares of £1 each in Singer & Friedlander Investment Management Limited (registered in the England and Wales).

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. DEBTORS

	<u>2003</u>	<u>2002</u>
	£	£
Corporation tax repayable	2,465	-
Amounts due from group undertakings	-	400,000
Amounts owed by subsidiary undertakings	-	16,383
	<u>2,465</u>	<u>416,383</u>

On 28<sup>th</sup> November 2003, the sub-ordinated loan of £400,000 due from Singer & Friedlander Investment Management (IOM) Limited was repaid in full.

8. CASH AT BANK

	<u>2003</u>	<u>2002</u>
	£	£
Amounts owed by Singer & Friedlander Limited	<u>417,274</u>	<u>901</u>

The company has a bank account with Singer & Friedlander Limited, which provides banking services to Group companies. All services are provided on an arms length basis.

9. CREDITORS: Amounts falling due within one year

	<u>2003</u>	<u>2002</u>
	£	£
Amounts owed to group undertakings	5,113	5,350
Other creditors including taxation	-	4,210
	<u>5,113</u>	<u>9,560</u>

10. SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
	£	£
Authorised:		
Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Allotted, called up, and fully paid		
Ordinary shares of £1 each	<u>7,535,000</u>	<u>7,535,000</u>

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
(continued)

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>2003</u>	<u>2002</u>
	£	£
Opening shareholders' funds	9,142,724	8,632,000
Profit for the financial period after taxation	8,016,902	510,724
Interim dividends paid	(6,900,000)	-
Closing shareholders' funds	<u>10,259,626</u>	<u>9,142,724</u>

12. RELATED PARTY DISCLOSURES

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

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.

13. PARENT AND ULTIMATE PARENT UNDERTAKINGS

The company's parent and ultimate parent undertaking is Singer & Friedlander Group PLC, a company incorporated in Great Britain and registered in England and Wales.

Copies of the group financial statements of Singer & Friedlander Group PLC, in which this company's results are consolidated, can be obtained from this company's registered office at 21 New Street, London EC2M 4HR.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE YEAR ENDED 31ST DECEMBER 2003

	<u>2003</u>	<u>2002</u>
	£	£
Income from shares in subsidiary undertakings	8,010,000	500,000
Sub-ordinated loan interest receivable	13,746	16,384
Bank interest receivable	1,164	-
LESS EXPENSES		
Audit and accountancy fees	(5,050)	(2,350)
PROFIT BEFORE TAXATION	<u>8,019,860</u>	<u>514,034</u>

This page does not form part of the audited financial statements.