

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 2004



KPMG Audit Plc  
8 Salisbury Square, London EC4Y 8BB

## SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

### Directors

A.P. Shearer – Chairman  
C.C. Aujard  
K. Hoggard  
W.R. Jones

### 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 2004.

### 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).

The directors propose a final dividend of £577,581 (2003: nil) on the non-cumulative redeemable preference shares. The directors do not propose a final dividend in respect of the ordinary shares (2003: £6,900,000).

### SHARE CAPITAL

During the year, the Company's authorised share capital increased to £50,000,000 by the creation of 15,000,000 Ordinary Shares of £1 each and 15,000,000 Non-Cumulative Redeemable Preference Shares of £1 each.

During the year, the Company issued 10,000,000 Ordinary Shares of £1 each and 10,000,000 Non-Cumulative Redeemable Preference Shares of £1 each to Singer & Friedlander Group PLC for a total consideration of £20,000,000.

### DIRECTORS

The names of the directors of the Company, at the date of this report, appear at the head of this report. The directors have served throughout the year, with the exception of Mr G.M. Muir who served as a director of the Company until his resignation on 19<sup>th</sup> November 2004.

Mr J. Hodson resigned as a director of the Company on 31<sup>st</sup> December 2004. Messrs R.W. Killingbeck and R.I. Curry resigned as directors of the Company on 7<sup>th</sup> February 2005.

Messrs W.R. Jones and C.C. Aujard were appointed as directors of the Company on 1<sup>st</sup> January 2005 and 25<sup>th</sup> January 2005 respectively.

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.

Mr J Hodson was and Messrs A.P. Shearer and W.R. Jones 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 2004 and 31<sup>st</sup> December 2003:

	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>31.12.04</u>	<u>31.12.03</u>	<u>31.12.04</u>	<u>31.12.03</u>	<u>31.12.04</u>	<u>31.12.03</u>
R I Curry	9,800	9,800	50,200	50,200	50,000	50,000
R W Killingbeck	9,800	9,800	50,200	50,200	50,000	50,000

	Options to acquire shares under the terms of the Singer & Friedlander Group PLC Approved Share Option Plan all exercisable at a price of <u>240.3p</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>240.3p</u>	
	<u>31.12.04</u>	<u>31.12.03</u>	<u>31.12.04</u>	<u>31.12.03</u>
R I Curry	-	-	25,000	-
K Hoggard	12,480	-	12,520	-
R W Killingbeck	-	-	25,000	-

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

	<u>Held</u> <u>31.12.03</u>	<u>Exercised</u> <u>during the</u> <u>year at</u> <u>122.4p</u>	<u>Lapsed</u> <u>during</u> <u>the year</u>	<u>Granted during</u> <u>the year at</u> <u>224.5p</u>	<u>Held 31.12.04</u>
R I Curry	-	-	-	4,220	4,220
K Hoggard	11,115	-	-	-	11,115
R W Killingbeck	13,786	-	-	-	13,786

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS  
(Continued)

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

	<u>1999</u>	<u>2003</u>	<u>2004</u>	<u>31.12.04</u>
	<u>122.4p</u>	<u>142.6p</u>	<u>224.5p</u>	
R I Curry	-	-	4,220	4,220
K Hoggard	-	11,115	-	11,115
R W Killingbeck	13,786	-	-	13,786

The mid market price of an ordinary share of Singer & Friedlander Group Plc at 31<sup>st</sup> December 2004 was 263.50p and the range during 2004 was 208.00p to 311.00p.

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.

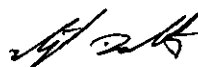
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such 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

10 March 2005

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

We have audited the financial statements on pages 6 to 12.

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 2004 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

10 March 2005

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 2004

	<u>Note</u>	<u>2004</u> £	<u>2003</u> £
<i>Continuing Activities</i>			
Income from shares in subsidiary undertakings	1	600,000	8,010,000
Administrative expenses		<u>(3,700)</u>	<u>(5,050)</u>
OPERATING PROFIT		596,300	8,004,950
Other interest receivable and similar income	2	20,724	14,910
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>617,024</u>	<u>8,019,860</u>
Tax on profit on ordinary activities	3	<u>(5,107)</u>	<u>(2,958)</u>
PROFIT FOR THE FINANCIAL YEAR	12	611,917	8,016,902
Dividends	6	(577,581)	(6,900,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>34,336</u>	<u>1,116,902</u>
Retained profit brought forward		<u>2,724,626</u>	<u>1,607,724</u>
RETAINED PROFIT CARRIED FORWARD		<u>2,758,962</u>	<u>2,724,626</u>

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

The notes on pages 8 to 12 form part of these financial statements.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

BALANCE SHEET AT 31ST DECEMBER, 2004

	<u>Note</u>	<u>2004</u> £	<u>2003</u> £
FIXED ASSETS			
INVESTMENTS IN SUBSIDIARY UNDERTAKINGS	7	<u>30,345,000</u>	<u>9,845,000</u>
CURRENT ASSETS			
Debtors	8	5,597	2,465
Cash at bank and in hand	9	<u>529,578</u>	<u>417,274</u>
		<u>535,175</u>	<u>419,739</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(586,213)</u>	<u>(5,113)</u>
NET CURRENT (LIABILITIES) / ASSETS		<u>(51,038)</u>	<u>414,626</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>30,293,962</u>	<u>10,259,626</u>
CAPITAL AND RESERVES			
Called up share capital	11	27,535,000	7,535,000
Profit and loss account		<u>2,758,962</u>	<u>2,724,626</u>
SHAREHOLDERS' FUNDS	12	<u>30,293,962</u>	<u>10,259,626</u>
SHAREHOLDERS FUNDS			
Non-equity	12	10,000,000	-
Equity	12	20,293,962	10,259,626
		<u>30,293,962</u>	<u>10,259,626</u>

The financial statements were approved by the board of directors on 10 March 2005 and signed on its behalf by:



A.P. Shearer  
DIRECTOR

The notes on pages 8 to 12 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 subsidiary 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>2004</u>	<u>2003</u>
<i>Fees paid and payable to Auditors</i>		
Statutory audit	<u>3,525</u>	<u>1,175</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)
Bank interest from Singer & Friedlander Limited	<u>(20,724)</u>	<u>(1,164)</u>
	<u>(20,724)</u>	<u>(14,910)</u>



SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. TAXATION

	<u>2004</u> £	<u>2003</u> £
Profit on ordinary activities before taxation	<u>617,024</u>	<u>8,019,860</u>
Implied tax charge thereon at 30% (2003 – 30%)	185,107	2,405,958
Non provision of tax on dividends received from subsidiary companies	(180,000)	(2,403,000)
Current UK tax charge for the year	<u>5,107</u>	<u>2,958</u>

4. STAFF NUMBERS AND COSTS

No staff were directly employed by the company during the period (2003: nil).

5. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments during the period in respect of their services as directors of the Company (2003: nil)

6. DIVIDENDS

	<u>2004</u> £	<u>2003</u> £
Final non-cumulative preference share dividend payable of 5.78 pence per share (2003: nil)	577,581	-
Interim ordinary dividend paid of nil (2003: 91.6 pence per share)	-	6,900,000
	<u>577,581</u>	<u>6,900,000</u>

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	<u>2004</u> £	<u>2003</u> £
<i>Ordinary Shares in subsidiaries at cost:</i>		
Singer & Friedlander Investment Management Limited	18,520,000	8,520,000
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
Singer & Friedlander Investment Management Limited	10,500,000	-
	<u>30,345,000</u>	<u>9,845,000</u>

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

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> March 2004, the company subscribed for 10,000,000 ordinary shares of £1 each and 10,500,000 non cumulative redeemable preference shares of £1 each in Singer & Friedlander Investment Management Limited (registered in the England and Wales).

8. DEBTORS

	<u>2004</u> £	<u>2003</u> £
Corporation tax repayable	-	2,465
Amounts due from group undertakings	5,597	-
	<u>5,597</u>	<u>2,465</u>

9. CASH AT BANK AND IN HAND

	<u>2004</u> £	<u>2003</u> £
Amounts owed by Singer & Friedlander Limited	<u>529,578</u>	<u>417,274</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.

Included above is an amount of £500,000 (2003: nil) held with Singer & Friedlander Ltd which relates to a one week cash deposit.

10. CREDITORS: Amounts falling due within one year

	<u>2004</u> £	<u>2003</u> £
Amounts owed to group undertakings	3,525	5,113
Non-cumulative redeemable preference share dividend payable	577,581	-
Other creditors including taxation	5,107	-
	<u>586,213</u>	<u>5,113</u>

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

11. SHARE CAPITAL

	<u>2004</u>	<u>2003</u>
	£	£
Authorised:		
Ordinary shares of £1 each	35,000,000	20,000,000
Non-cumulative redeemable preference shares of £1 each	15,000,000	-
	<u>50,000,000</u>	<u>20,000,000</u>
Allotted, called up, and fully paid		
Ordinary shares of £1 each	17,535,000	7,535,000
Non-cumulative redeemable preference shares of £1 each	10,000,000	-
	<u>27,535,000</u>	<u>7,535,000</u>

During the year, the Company's authorised share capital was increased to £50,000,000 by the creation of 15,000,000 Ordinary Shares of £1 each and 15,000,000 Non-Cumulative Redeemable Preference Shares of £1 each.

During the year, the Company issued 10,000,000 Ordinary Shares of £1 each and 10,000,000 Non-Cumulative Redeemable Preference Shares of £1 each to Singer & Friedlander Group PLC.

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>Equity</u>	<u>Non-Equity</u>	<u>Total</u>
	2004	2004	2004
	£000	£000	£000
1 <sup>st</sup> January 2004	10,259,626	-	10,259,626
Proceeds of issue of shares	10,000,000	10,000,000	20,000,000
Profit for the financial year after taxation	611,917	-	611,917
Interim dividend proposed	(577,581)	-	(577,581)
Closing shareholders' funds	<u>20,293,962</u>	<u>10,000,000</u>	<u>30,293,962</u>

13. 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.

SINGER & FRIEDLANDER INVESTMENT MANAGEMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

14. CONTINGENT LIABILITY

In common with other companies providing savings and investment products to retail customers, matters arise from time to time as a result of customer complaints requiring remedial action to be taken, some of which may be referred to the Financial Ombudsman Service ("FOS"). Whilst any of these could involve the payment of compensation, it is usually not practicable to provide an estimate of the potential impact, if any, until the case has been resolved. An indirect subsidiary undertaking of the company is in such discussion with the FOS on one such case.

*No provision has been made in the financial statements of the indirect subsidiary undertaking.*

15. 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 2004

	<u>2004</u>	<u>2003</u>
	£	£
Income from shares in subsidiary undertakings	600,000	8,010,000
Sub-ordinated loan interest receivable	-	13,746
Bank interest receivable	20,724	1,164
LESS EXPENSES		
Audit and accountancy fees	(3,700)	(5,050)
PROFIT BEFORE TAXATION	<u>617,024</u>	<u>8,019,860</u>

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