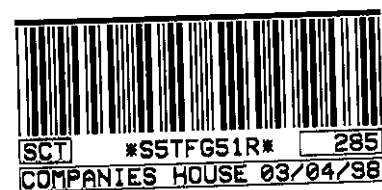


**BRITANNIA FUND MANAGERS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 1997**

**COMPANY REGISTRATION NUMBER 85610**



**BRITANNIA FUND MANAGERS LIMITED  
REPORT BY THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

**PRINCIPAL ACTIVITY**

The principal activity of the Company is the management of unit trusts and Personal Equity Plans investing solely in unit trusts.

The Directors are satisfied with the growth and performance of the business during the year.

**FINANCIAL STATEMENTS**

The audited financial statements together with relevant notes and report of the auditors are shown on pages 4 to 13.

The profit for the year, after taxation, was £1,928,000 (1996 - £2,247,000) and the funds under management amounted to £907.6m at 31 December 1997 (31 December 1996 - £673.8m).

No interim dividend was paid during the year (1996 - £Nil). The Directors recommend the payment of a final dividend on the issued share capital of £2,500,000 (1996 - £1,350,000). There is a surplus of £479,000 (1996 - surplus £1,051,000) carried forward in reserves.

**SIGNIFICANT EVENTS**

On 16 December, 1997 the majority shareholding in the company was transferred by Britannia Life Limited to Britannia Building Society. This was the culmination of the process which started with the transfer of beneficial ownership of the company to the Society in September 1995. On 29th October 1997 the company became managers of the Scottish Amicable Exempt Unauthorised Unit Trusts now known as Britannia Exempt Unauthorised Unit Trusts.

**DIRECTORS AND THEIR INTERESTS**

Directors :	T J Bayley	FCA, Chairman
	D O'Neil	BSc FFA, Managing Director
	J E Heaps	FCIB MIMgt
	Sir G H Laird	CBE
	D Ferrans	BSc FFA
	M A McLaren	BSc AIIMR
	A R McNee	BSc AIIMR
	L McIntosh	
	P Reid	MA AIIMR

TJ Bayley and JE Heaps are Directors of the immediate parent undertaking. On 1 January 1997, L McIntosh, M A McLaren, A R McNee, and P Reid were appointed Directors of the Company. On 1 October 1997, D Ferrans was appointed a Director of the Company. No Director held any beneficial interest in the share capital of the Company or any group Company.

**BRITANNIA FUND MANAGERS LIMITED  
REPORT BY THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 1997 (CONT'D)**

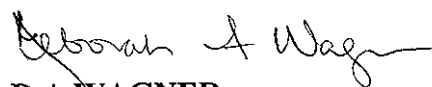
**FUTURE DEVELOPMENTS**

The Company is actively seeking to expand the range and variety of investments under management through both development and acquisition.

**AUDITORS**

Price Waterhouse will be proposed for reappointment as Auditors at the forthcoming Annual General Meeting.

**BY ORDER OF THE BOARD**



**D A WAGNER**  
Secretary

17 March 1998

Registered Office :  
Britannia Court  
50 Bothwell Street

GLASGOW G2 6HR

**BRITANNIA FUND MANAGERS 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 these 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 ensuring appropriate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure 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.

**AUDITORS' REPORT TO THE MEMBERS OF  
BRITANNIA FUND MANAGERS LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 1997**

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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



**PRICE WATERHOUSE**  
Chartered Accountants

**Glasgow**

17 March 1998

**BRITANNIA FUND MANAGERS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

5

	<u>Note</u>	<u>1997</u> £000	<u>1996</u> £000
Turnover		10,419	9,735
Administrative expenses		<u>(7,803)</u>	<u>(7,272)</u>
Operating profit	2	2,616	2,463
Interest receivable		367	382
Interest payable		<u>(15)</u>	<u>(47)</u>
Profit on ordinary activities before taxation		2,968	2,798
Taxation	5	<u>(1,040)</u>	<u>(551)</u>
Profit on ordinary activities after taxation		1,928	2,247
Dividend		<u>(2,500)</u>	<u>(1,350)</u>
Profit / (loss) retained in year taken to reserves	10	<u>(572)</u>	<u>897</u>

**Recognised Gains and Losses**

The Company has no recognised gains or losses for the current or prior years other than those detailed above.

*The notes on pages 8 to 13 are an integral part of these financial statements.*

**BRITANNIA FUND MANAGERS LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 1997**

6

	<u>Note</u>	<u>1997</u> £000	<u>1996</u> £000
<b>FIXED ASSETS</b>			
Tangible Assets	6	<u>269</u>	<u>269</u>
<b>CURRENT ASSETS</b>			
Investments		308	1,146
Debtors	7	1,985	8,110
Cash at bank	15	<u>8,519</u>	<u>2,204</u>
		10,812	11,460
<b>CREDITORS:</b>			
Amounts falling due within one year	8	<u>(8,774)</u>	<u>(8,850)</u>
Net current assets		<u>2,038</u>	<u>2,610</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>2,307</u></u>	<u><u>2,879</u></u>
<b>CAPITAL AND RESERVES:</b>			
Share capital	9	1,308	1,308
Share premium account	11	520	520
Profit and loss account	10	<u>479</u>	<u>1,051</u>
<b>TOTAL SHAREHOLDERS' FUNDS - EQUITY</b>	12	<u><u>2,307</u></u>	<u><u>2,879</u></u>

*The financial statements were approved by the Directors on*

*The notes on pages 8 to 13 are an integral part of these financial statements.*

 **D O'NEIL**

**Director**

**BRITANNIA FUND MANAGERS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

7

	<u>Note</u>	<u>1997</u>	<u>1996</u>
		£000	£000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	13	7,083	3,558
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		367	382
Interest paid		(15)	(47)
Dividend paid		<u>(1,350)</u>	<u>-</u>
<b>NET CASH INFLOW / (OUTFLOW) FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		(998)	335
<b>TAXATION</b>			
Corporation tax paid		<u>(608)</u>	<u>(246)</u>
<b>NET CASH OUTFLOW FROM TAXATION</b>		(608)	(246)
<b>INVESTING ACTIVITIES</b>			
Payments to acquire tangible fixed assets		-	(269)
Sale/(purchase) of investments		<u>838</u>	<u>(586)</u>
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>		838	(855)
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	14	<u>6,315</u>	<u>2,792</u>

*The notes on pages 8 to 13 are an integral part of these financial statements.*



**BRITANNIA FUND MANAGERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

8

**1. ACCOUNTING POLICIES**

- 1.1 The financial statements are prepared under the historical cost convention in compliance with the Companies Act 1985 as adjusted for the revaluation of investments, and in accordance with applicable Accounting Standards.
- 1.2 Investments are valued at the lower of cost and net realisable value.
- 1.3 Turnover represents the net income accruing to the company from the continuing activity of the management of Unit Trusts and Personal Equity Plans.
- 1.4 The Company operates pension arrangements for its employees through the pension fund of Britannia Life Limited. The funding of the scheme is considered on a group basis. The Profit and Loss Account charge is the regular pension cost required to provide employee benefits over their anticipated service lives. Full details of the actuarial assumptions in the calculation of the pension contributions can be found in the financial statements of Britannia Life Limited.
- 1.5 Tax is charged on all profits and income earned to date, less reliefs.
- 1.6 Tangible fixed assets are capitalised. Depreciation will be provided from 1998 when the assets are brought into use.

**2. OPERATING PROFIT**

Operating profit is stated after charging:

	<u>Note</u>	<u>1997</u> £000	<u>1996</u> £000
Auditors' Remuneration		8	6
Staff Costs	3	<u>1,087</u>	<u>629</u>

**BRITANNIA FUND MANAGERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

9

**3. STAFF COSTS**

	<u>1997</u>	<u>1996</u>
	£000	£000
Wages and salaries	910	534
Other pension costs	103	53
Social security costs	74	42
	<u>1,087</u>	<u>629</u>

The average number of employees was 34, (1996 - 26)

**4. DIRECTORS' REMUNERATION**

T J Bayley and J E Heaps are Directors of the immediate parent undertaking and are remunerated by Britannia Building Society. The Directors do not believe that it is practicable to apportion the total remuneration between their services as Directors to the Company and their services as Directors of the immediate parent undertaking.

The aggregate emoluments of the other Directors are detailed in full below.

	<u>1997</u>	<u>1996</u>
	£000	£000
Emoluments	<u>118</u>	<u>83</u>

	<u>1997</u>	<u>1996</u>
	No.	No.
Members of defined benefit pension scheme	<u>6</u>	<u>1</u>

**BRITANNIA FUND MANAGERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

10

**5. TAXATION**

The taxation charge for the year comprises:

	<u>1997</u>	<u>1996</u>
	£000	£000
Corporation tax charged at 31.5%	924	766
Tax credit on UK dividends received	-	96
Prior year adjustments	<u>116</u>	<u>(311)</u>
	<u><u>1,040</u></u>	<u><u>551</u></u>

**6. TANGIBLE FIXED ASSETS**

	Computer software £000
<b>Cost :</b>	
At 1 January 1997	269
Additions	-
At 31 December 1997	<u><u>269</u></u>
<b>Net Book Value :</b>	
At 31 December 1997	<u><u>269</u></u>
At 1 January 1997	<u><u>269</u></u>

The computer software has not been depreciated as the assets are not yet in use.

**7. DEBTORS**

	<u>1997</u>	<u>1996</u>
	£000	£000
Trade Debtors	1,553	7,593
Cancellation Debtors	428	155
Other Debtors	4	24
Advance corporation tax recoverable	<u>-</u>	<u>338</u>
	<u><u>1,985</u></u>	<u><u>8,110</u></u>

**BRITANNIA FUND MANAGERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

11

**8. CREDITORS**

Amounts falling due within one year:

	<u>1997</u>	<u>1996</u>
	£000	£000
Trade Creditors	2,121	2,124
Amount due to immediate parent undertaking	-	490
Amount due to fellow group undertaking	1,141	1
Other Creditors	2,088	4,056
Corporation Tax Creditor	924	829
Proposed Final Dividend	2,500	1,350
	<u>8,774</u>	<u>8,850</u>

**9. SHARE CAPITAL**

The authorised and issued share capital of the company consists of :-

	<u>Authorised</u>	<u>Issued and fully paid</u>	
	<u>Number</u>	<u>Number</u>	£000
Ordinary shares of £1 each	<u>5,000,000</u>	<u>1,307,600</u>	<u>1,308</u>

There was no movement in the authorised and issued share capital during the year.

**10. PROFIT AND LOSS ACCOUNT**

	<u>1997</u>	<u>1996</u>
	£000	£000
Balance at 1 January	1,051	154
Retained profit/(loss) for year	<u>(572)</u>	<u>897</u>
Balance at 31 December	<u>479</u>	<u>1,051</u>

**11. SHARE PREMIUM**

	<u>1997</u>	<u>1996</u>
	£000	£000
Balance as at 31 December	<u>520</u>	<u>520</u>

**BRITANNIA FUND MANAGERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

12

**12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<u>1997</u>	<u>1996</u>
	£000	£000
Total recognised gains and losses	1,928	2,247
Dividend	<u>(2,500)</u>	<u>(1,350)</u>
	(572)	897
Shareholders' funds at 1 January	<u>2,879</u>	<u>1,982</u>
Shareholders' funds at 31 December	<u><u>2,307</u></u>	<u><u>2,879</u></u>

**13. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>1997</u>	<u>1996</u>
	£000	£000
Operating profit	2,616	2,463
Decrease / (increase) in debtors	5,788	6,204
(Decrease) / increase in creditors	(1,321)	(5,109)
(Increase)/Decrease in provision for liabilities and charges	<u>-</u>	<u>-</u>
Net cash inflow from operating activities	<u><u>7,083</u></u>	<u><u>3,558</u></u>

**14. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS**

	<u>1997</u>	<u>1996</u>
	£000	£000
Cash at bank movement :		
At end of year	8,519	2,204
Less : At start of year	<u>2,204</u>	<u>(588)</u>
Net cash inflow	<u><u>6,315</u></u>	<u><u>2,792</u></u>

**BRITANNIA FUND MANAGERS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

13

**15. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS**

	<u>1997</u>	<u>1996</u>	<u>Movement</u>
	£000	£000	£000
Cash at bank	<u>8,519</u>	<u>2,204</u>	<u>6,315</u>

**16. TRANSACTIONS WITH DIRECTORS AND THEIR RELATED PARTIES**

As the Company is a subsidiary undertaking, related party transactions with fellow group undertakings have not been disclosed as permitted by Financial Reporting Standard 8, Related Party Disclosures.

The details in respect of T J Bayley and J E Heaps are disclosed in the accounts of Britannia Building Society.

	<u>1997</u>	<u>1996</u>
	£000	£000
Investments and life products held by six (1996 - two) Directors at 31 December	<u>439</u>	<u>128</u>
Contributions paid by six (1996 - two) Directors towards investments and life products during the year	<u>52</u>	<u>38</u>

**17. IMMEDIATE PARENT UNDERTAKING**

The Company's immediate parent undertaking is Britannia Building Society, which is a body registered in England. These financial statements have been included in the consolidated financial statements of Britannia Building Society. A copy of the financial statements of Britannia Building Society is available from :-

Britannia House  
Leek, Staffs, ST13 5RG