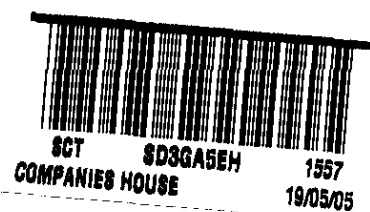


BRITANNIC ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

COMPANY REGISTRATION NUMBER 200801



**BRITANNIC ASSET MANAGEMENT LIMITED
REPORT BY THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004**

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company was incorporated on 19 October 1999. The Company acts as a Holding Company for Britannic Investment Managers Limited (BIM), providers of investment management services and investment advice, and Britannic Fund Managers Limited, Managers of unit trusts, Individual Savings Accounts and Personal Equity Plans investing solely in unit trusts.

RESULTS FOR THE YEAR

Following the annual impairment review of the carrying value of the investment in the Company and its subsidiaries, by Britannic Group plc, a write down of £50 million has been provided for in these accounts.

The Directors do not recommend the payment of a final dividend on the issued share capital.

The audited financial statements together with relevant notes and Independent Auditors Report are shown on pages 4 to 10.

DIRECTORS AND THEIR INTERESTS

Directors:	P Thompson	MA (Cantab) ACA – Chairman (appointed 1 October 2004)
	G Stewart	BSc FFA – Chief Executive
	P Reid	MA ASIP - Chief Investment Officer
	J Polin	Sales & Marketing Director (appointed 1 October 2004)
	D O'Neil	BSc FFA – Deputy Chairman
	G Singleton	BSc ARCS FIA (appointed 15 March 2004)
	D Allvey	FCA ATII (appointed 15 March 2004)
	P Spencer	BA FCT FCMA (appointed 15 March 2004)
	M Williamson	(appointed 15 March 2004)
	A Shishmanian	BA MBA (appointed 4 January 2005)
	H Cottam	FCA – Chairman (resigned 30 September 2004)
	L McIntosh	MSI (resigned 4 June 2004)
	R Fortin	MA (Oxon) (resigned 22 April 2004)
	F Ghiloni	BSc FFA (resigned 13 April 2004)
	B Quinn	CBE (resigned 15 March 2004)
	A Dewar-Durie	CBE (resigned 15 March 2004)

H Cottam (resigned 30 September 2004), R Fortin (resigned 22 April 2004), P Thompson, M Williamson, D Allvey, P Spencer, G Singleton and A Shishmanian are Directors of Britannic Group plc, and details of their interests are disclosed in the accounts of Britannic Group plc. No other Director held any beneficial interest in the share capital of the Company or any group Company.

**BRITANNIC ASSET MANAGEMENT LIMITED
REPORT BY THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004**

AUDITORS

A resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD


D.A. WAGNER

Secretary

8 March 2005

Registered Office :

Britannic Court
50 Bothwell Street
GLASGOW G2 6HR

BRITANNIC ASSET MANAGEMENT LIMITED CORPORATE GOVERNANCE

The Company strives to comply as far as possible, given its position as a subsidiary, with corporate governance best practice. Following a group wide review of the Corporate Governance structure, a full committee structure in accordance with Combined Code requirements was adopted by the Company in May 2000 and is now in operation. In keeping with governance best practice an annual review is carried out by the Corporate Governance Audit and Compliance Review Committee.

A detailed risk management framework in line with Turnbull Guidance is in place and operates effectively.

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 generally responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BRITANNIC ASSET MANAGEMENT LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2004**

We have audited the financial statements on pages 5 to 10. 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 other opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 3, 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 at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Registered Auditor
Chartered accountants

8 March 2005

191 West George Street
Glasgow
G2 2LJ

BRITANNIC ASSET MANAGEMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	<u>2004</u> £'000	<u>2003</u> £'000
Write down on investments	5	<u>(50,000)</u>	<u>-</u>
Loss on ordinary activities before Taxation		(50,000)	-
Taxation	4	<u>-</u>	<u>-</u>
Loss for the financial year		<u>(50,000)</u>	<u>-</u>

Recognised Gains and Losses

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

The notes on pages 7 to 10 are an integral part of these financial statements.

BRITANNIC ASSET MANAGEMENT LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2004

	<u>Note</u>	<u>2004</u> £'000	<u>2003</u> £'000
FIXED ASSETS			
Investment in subsidiary undertakings	5	<u>150,000</u>	<u>200,000</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>150,000</u>	<u>200,000</u>
CAPITAL AND RESERVES :			
Called up share capital	6	1	1
Share premium		199,999	199,999
Profit and loss account	7	<u>(50,000)</u>	<u>-</u>
TOTAL SHAREHOLDERS' FUNDS		<u>150,000</u>	<u>200,000</u>

The financial statements were approved by the Directors on 21 February 2005.

The notes on pages 7 to 10 are an integral part of these financial statements.



G STEWART

Director

BRITANNIC ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost convention in compliance with the Companies Act 1985, and in accordance with applicable Accounting Standards.

1.2 Subsidiary undertakings

Subsidiary undertakings are valued at the lower of cost and net realisable value.

1.3 Cash Flows

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published financial statements.

2. EXPENSES OF MANAGEMENT

Auditor's remuneration is borne by Britannic Investment Managers Limited.

3. DIRECTORS REMUNERATION

H Cottam (resigned 30 September 2004), B Quinn (resigned 15 March 2004), D O'Neil, R Fortin (resigned 22 April 2004), A Dewar-Durie (resigned 15 March 2004), D Allvey, M Williamson, P Spencer and A Shishmanian are not members of the defined benefit pension scheme.

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

	2004 £000	2003 £000
Emoluments	824	1,052
Long Term Incentive Plan	170	248
Compensation for loss of office	486	-
	<u>1,480</u>	<u>1,300</u>

	2004 No.	2003 No.
Members of defined benefit pension scheme	<u>7</u>	<u>5</u>

BRITANNIC ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

DIRECTORS REMUNERATION (Continued)

The amounts in respect of the highest paid director, who is L McIntosh (2003 - L McIntosh) are as follows:

	2004 £000	2003 £000
Emoluments	<u>583</u>	<u>343</u>
Accumulated total accrued pension at 31 December	<u>33</u>	<u>32</u>

Included within the emoluments of L McIntosh is £486,000 paid as compensation for loss of office. Of this amount, £242,000 represented a payment in respect of entitlement to the Long Term Incentive Plan.

4. TAXATION

a) Analysis of tax charge in the period

	2004 £000	2003 £000
Current Tax		
UK corporation tax at 30% (2003 – 30%) on loss for period	<u>-</u>	<u>-</u>
Taxation on ordinary loss	<u>-</u>	<u>-</u>

b) Factors affecting tax charge for the period

	2004 £000	2003 £000
Loss on ordinary activities before taxation	<u>(50,000)</u>	<u>-</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 – 30%)	(15,000)	-
Effects of:		
Write down of value of investments in subsidiaries	<u>15,000</u>	<u>-</u>
	<u>-</u>	<u>-</u>

BRITANNIC ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

5. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£000
Cost:	
At 1 January 2004	200,000
Written down in the year	<u>(50,000)</u>
At 31 December 2004	<u>150,000</u>

During the year a write down of £50 million has been made, following the annual impairment review of the carrying value of Britannic Asset Management Limited in the accounts of Britannic Group plc.

The principal subsidiaries are as stated below:-

Name	Nature of Business	Country of Registration	Class of Shares	% Held
Britannic Investment Managers Limited	Investment management services and investment advice	Scotland	Ordinary 10p	100%
Britannic Fund Managers Limited	Manager of Unit Trusts, Individual Savings Accounts and Personal Equity Plans	Scotland	Ordinary £1	100%

The Company is exempt under the terms of Section 228 Company Act 1985 from the requirement to prepare Group Accounts as it is itself a subsidiary of Britannic Group plc which prepares consolidated statutory accounts.

These financial statements therefore present information about the company as an individual undertaking and not its Group.

6. CALLED UP SHARE CAPITAL

The authorised and issued share capital of the Company at 31 December 2004 and 31 December 2003 consists of:

	<u>Authorised Number</u>	<u>Issued and Fully Paid Number</u>	<u>£000</u>
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1</u>

BRITANNIC ASSET MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

7. PROFIT AND LOSS ACCOUNT

	2004 £000	2003 £000
Balance at 1 January	-	-
Loss retained for year	(50,000)	-
Balance at 31 December	<u>(50,000)</u>	<u>-</u>

8. TRANSACTIONS WITH DIRECTORS AND THEIR RELATED PARTIES

The details in respect of H Cottam (resigned 30 September 2004), B Quinn (resigned 15 March 2004), D O'Neil, R Fortin (resigned 22 April 2004), A Dewar-Durie (resigned 15 March 2004), P Thompson, D Allvey, M Williamson, P Spencer, G Singleton and A Shishmanian are disclosed in the accounts of Britannic Group plc.

The details in respect of all other Directors are disclosed in the accounts of Britannic Investment Managers Limited and Britannic Fund Managers Limited.

Under Financial Reporting Standard 8, companies which are wholly owned subsidiaries of a parent whose consolidated financial statements in which the subsidiaries' results are included are publicly available, are granted exemption from disclosing inter-group.

9. ULTIMATE PARENT UNDERTAKING

The Company's parent undertaking is Britannic Group plc, which is a body registered in England. These financial statements have been included in the consolidated financial statements of Britannic Group plc.

A copy of the financial statements of Britannic Group plc is available from :-

1 Wythall Green Way
 Wythall, Birmingham
 B47 6WG