

REPORT AND ACCOUNTS

Homeowners Investment Fund Managers Limited

31 DECEMBER 2005



HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED

Registered No. 3224780

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HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED

Registered No. 3224780

DIRECTORS

R F Pierce (Chairman)
K D Chidwick (Resigned 26 August 2005)
A S Haigh
C C F Lazenby
Rt. Hon. Lord Clark of Windermere
D G Hargrave
P Hemming
C McComb (Appointed 11 May 2005)

SECRETARY

A J Horsley

AUDITOR

KPMG Audit Plc
Neville Street
Leeds
LS1 4DW

BANKERS

The Bank of New York
One Canada Square
London
E14 5AL

Barclays Bank Plc
25 James Street
Harrogate
HG1 1TQ

DEPOSITORY

The Bank of New York Trust and Depository Company Limited
One Canada Square
London
E14 5AL

REGISTERED OFFICE

Hornbeam Park Avenue
Harrogate, HG2 8XE

DEALING

Northern Trust International Fund Administration Services (UK) Limited
50 Bank Street
Canary Wharf
London, E14 5NT

Regulated by the Financial Services Authority (FSA). A member of the Investment Management Association (IMA).

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The company's principal activity during the year was that of OEIC management. The company acts as the Authorised Corporate Director of Homeowners Investment Funds ICVC. The company and its ICVC provided services in support of the successful launch of the Child Trust Fund product by the Homeowners Group in the year.

REVIEW OF THE BUSINESS

The profit on ordinary activities after taxation for the year ended 31 December 2005 amounted to £3,130 in 2005 (£283,417 loss in 2004).

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year.

DIRECTORS

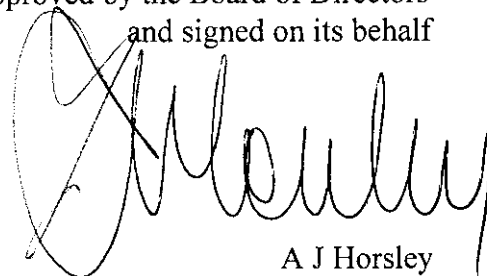
The present membership of the board is set out on page 1.

There are no Directors' interests requiring disclosure under the Companies Act 1985.

AUDITOR

The Directors will place a resolution before a General Meeting to re-appoint KPMG Audit Plc as auditor for the coming year, at a remuneration to be agreed by the Directors.

Approved by the Board of Directors
and signed on its behalf

A handwritten signature in black ink, appearing to read 'A J Horsley', written over a faint circular stamp.

A J Horsley
Secretary

23 February 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards. The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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. Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

to the members of Homeowners Investment Fund Managers Limited

We have audited the financial statements of Homeowners Investment Fund Managers Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes.

These financial statements have been prepared under the accounting policies set out therein. 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

AUDITORS' REPORT cont'd

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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
Leeds
23 February 2006

HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 2005

	Note	2005 £	2004 £
CONTINUING OPERATIONS			
Turnover	2	18,636,070	429,542
Cost of sales		(18,633,301)	(428,950)
		<hr/>	<hr/>
GROSS PROFIT		2,769	592
Administrative expenses		(235,644)	(409,489)
Other operating income		213,644	116,691
		<hr/>	<hr/>
OPERATING LOSS	3	(19,231)	(292,206)
Other interest receivable and similar income	6	22,361	8,789
		<hr/>	<hr/>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		3,130	(283,417)
Tax on loss on ordinary activities	7	-	-
		<hr/>	<hr/>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		3,130	(283,417)
RETAINED LOSSES BROUGHT FORWARD	13	(2,434,656)	(2,151,239)
		<hr/>	<hr/>
RETAINED LOSSES CARRIED FORWARD	13	(2,431,526)	(2,434,656)
		<hr/> <hr/>	<hr/> <hr/>

There are no recognised gains or losses for 2005 (£ nil in 2004) other than the profit on ordinary activities shown above.

HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED**BALANCE SHEET**
at 31 December 2005

	Note	2005 £	2004 £
CURRENT ASSETS			
Debtors	9	47,591	59,785
Investments	10	29,933	19,427
Cash at bank		241,846	582,380
		<hr/>	<hr/>
TOTAL ASSETS		319,370	661,592
 CREDITORS:			
Amounts falling due within one year	11	(200,896)	(546,248)
		<hr/>	<hr/>
NET CURRENT ASSETS		118,474	115,344
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		118,474	115,344
		<hr/>	<hr/>
 CAPITAL AND RESERVES			
Called up share capital	12	2,550,000	2,550,000
Profit and loss account	13	(2,431,526)	(2,434,656)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS		118,474	115,344
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on 23 February 2006 and signed on its behalf by



R F Pierce, Chairman

NOTES TO THE ACCOUNTS

at 31 December 2005

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historic cost accounting rules.

Under FRS 1 (revised 1996) 'Cash Flow Statements' 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 consolidated financial statements.

Accounting convention

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Investments

OEICs held for resale at the balance sheet date have been valued at the published price.

Other operating income

Annual management charges deducted from customer policies are included in other operating income.

Going Concern

The accounts have been prepared on a going concern basis.

2. TURNOVER

Turnover, which is wholly attributable to United Kingdom operations, is derived from the sale of shares in the OEIC within the United Kingdom and is stated net of discounts given. The increase in turnover reflects the launch of the Child Trust Fund for which Homeowner Investment Fund Managers Limited is a provider.

HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED

NOTES TO THE ACCOUNTS

at 31 December 2005

3. OPERATING LOSS

Effective from 1st January 2005 all costs, except investment management costs, have been paid by Homeowners Financial Administration (HFA), another member of the Homeowners Group. Accordingly these costs are disclosed in the accounts of Homeowners Financial Administration and in the consolidated accounts of the Homeowners Group. A management charge has been paid to HFA for the provision of these services.

	KPMG Audit Plc	
	2005	2004
	£	£
Audit services		
- statutory audit	-	2,350
- audit-related regulatory reporting	8,000	9,395
	<hr/>	<hr/>
	8,000	11,745
	<hr/>	<hr/>

4. DIRECTORS' EMOLUMENTS

The Directors are also Directors of the ultimate holding company. The Directors have been wholly remunerated by Homeowners Financial Administration Limited (HFA), another member within the Group. Accordingly details of their emoluments are disclosed within the accounts of HFA.

5. STAFF COSTS

The company does not employ any staff, but utilises the services provided by HFA, another member of the Homeowners Group.

HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED

NOTES TO THE ACCOUNTS

at 31 December 2005

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £	2004 £
Bank deposit interest	22,240	8,432
Income from units held as current asset investments	121	357
	<u>22,361</u>	<u>8,789</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005 £	2004 £
Profit/(loss) on ordinary activities before tax	3,130	(283,417)
Current tax @ 30 % (30% - 2004)	939	(85,025)
Effects of: Utilisation of tax losses brought forward	(939)	85,025
Total current tax charge	-	-

No corporation tax is due in respect of the activities of the company, as illustrated below:

Corporation tax losses amount to £2,431,526 (£2,224,824 in 2004) which will be carried forward and offset against future years trading profits.

HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED

NOTES TO THE ACCOUNTS

at 31 December 2005

8. DEFERRED TAX

The company has an unprovided deferred tax asset of £729,458 (£667,447 in 2004) in respect of tax losses of £2,431,526 (£2,224,824 in 2004). This will become recoverable when trading profits arise.

9. DEBTORS

	2005 £	2004 £
Other debtors	39,009	16,833
Amounts owed from group undertakings	8,582	42,952
	<u>47,591</u>	<u>59,785</u>

10. INVESTMENTS

	2005 £	2004 £
Shares held for resale	29,933	19,427

HOMEOWNERS INVESTMENT FUND MANAGERS LIMITED

NOTES TO THE ACCOUNTS at 31 December 2005

11. CREDITORS: amounts falling due within one year

	2005 £	2004 £
Amounts owed to group undertakings	161,085	506,102
Other creditors and accruals	39,810	40,146
	<u>200,896</u>	<u>546,248</u>

12. SHARE CAPITAL

	2005 £	2004 £
Authorised		
Ordinary shares of £1 each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, issued and fully paid		
Ordinary shares of £1 each	2,550,000	2,550,000
	<u>2,550,000</u>	<u>2,550,000</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Profit and loss account £	Total £
At 1 January 2005	2,550,000	(2,434,656)	115,344
Profit for the year	-	3,130	3,130
	<u>2,550,000</u>	<u>(2,431,526)</u>	<u>118,474</u>

NOTES TO THE ACCOUNTS

at 31 December 2005

14. ULTIMATE PARENT COMPANY

The consolidated financial statements of Homeowners Friendly Society Limited within which this company is included, can be obtained from Homeowners Friendly Society Limited, Hornbeam Park Avenue, Harrogate, HG2 8XE.

15. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary of Homeowners Friendly Society Limited, the company has taken the advantage of the exemption contained in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).