

BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

COMPANY REGISTRATION NUMBER SCO86806



BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
REPORT BY THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company's principal activity is as the general partner of Blairlogie Capital Management LP (BCM) which it became on 3 December 2001. On 31 December 2003 BCM transferred the remaining investment contract to Britannic Investment Managers Limited (BIM) and it is the intention to dissolve BCM once consent is obtained from the Financial Services Authority. The Company's parent (BIM) will bear any costs for the next 12 months.

RESULTS FOR THE YEAR

The audited financial statements together with relevant notes and independent auditors' report are shown on pages 4 to 10.

DIRECTORS AND THEIR INTERESTS

H Cottam	FCA
L McIntosh	MSI
F Ghiloni	BSc FFA
P Reid	MA ASIPS
G Stewart	BSc FFA (Appointed 6 January 2003)
D O'Neil	BSc FFA
B Quinn	CBE
A Dewar-Durie	CBE
R Fortin	MA (Oxon)
B Portman	FCCA FCIS MBA (resigned 13 August 2003)
P Thompson	MA (Cantab) ACA (appointed 13 August 2003)

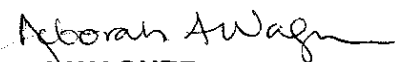
H Cottam, R Fortin and P Thompson are Directors of Britannic Group plc, and details of their interests are disclosed in the accounts of Britannic Group plc. No other Director held any beneficial interest in the share capital of the Company or any group Company.

BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
REPORT BY THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003

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

25 February 2004

Registered Office :
Britannic Court
50 Bothwell Street
GLASGOW G2 6HR

BRITANNIC ASSET MANAGEMENT INTERNATIONAL 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2003**

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 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 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
Registered Auditor
Chartered accountants

1 Mar 04

24 Blythswood Square
Glasgow
G2 4QS

BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	<u>2003</u> £'000	<u>2002</u> £'000
Income		602	-
Administrative Expenses	2	<u>-</u>	<u>(545)</u>
Profit / (loss) on ordinary activities before taxation			
	2	602	(545)
Taxation	4	<u>(43)</u>	<u>(33)</u>
Profit / (loss) for the financial year		559	(578)
Transfer to / (from) reserves		<u>559</u>	<u>(578)</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 INTERNATIONAL LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2003

	<u>Note</u>	<u>2003</u> £'000	<u>2002</u> £'000
INTANGIBLE ASSETS			
Goodwill	5	-	4,452
CREDITORS:			
Amounts falling due within one year		(43)	(834)
NET (LIABILITIES) / ASSETS		<u>(43)</u>	<u>3,618</u>
CREDITORS:			
Amounts falling due after more than one year		-	(4,220)
TOTAL LIABILITIES		<u>(43)</u>	<u>(602)</u>
CAPITAL AND RESERVES :			
Called up Share capital	6	100	100
Profit and Loss Account	7	(143)	(702)
TOTAL SHAREHOLDERS' FUNDS		<u>(43)</u>	<u>(602)</u>

The financial statements were approved by the Directors on 25 February 2004.

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


L McINTOSH

Director

BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

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. The Company's parent, Britannic Investment Managers Limited, has indicated that it will offer continued support for the next 12 months. These accounts are prepared on a discontinuance basis – any additional costs arising due to its cessation will be borne by the parent company.

1.2 Goodwill

Goodwill is the difference between the amounts paid on the acquisition of a business and the aggregate fair value of its separable net assets. It is capitalised and is written off in equal annual instalments over its estimated economic life, subject to impairment review, if deemed necessary.

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. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating loss is stated after charging:

	<u>2003</u>	<u>2002</u>
	<u>£000</u>	<u>£000</u>
Amortisation of Goodwill	—	<u>545</u>

3. EXPENSES OF MANAGEMENT

All of the Directors are Directors of Britannic Investment Managers Limited and details of their emoluments are disclosed in the accounts of that Company.

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

BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

4. TAXATION

a) Analysis of tax charge in period:

	<u>2003</u> £000	<u>2002</u> £000
UK Corporation Tax at 30% (2002 30%) on profits for the period	43	26
Adjustment in respect of prior period	<u>-</u>	<u>7</u>
Total current tax (note 4b)	<u>43</u>	<u>33</u>

b) Factors affecting current tax charge for the period:

Profit / (Loss) on ordinary activities before taxation	<u>602</u>	<u>(545)</u>
Profit / (Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 30%)	181	(164)
Effects of:		
Expenses not deductible for tax purposes	(181)	(164)
Adjustment in respect of prior period	<u>-</u>	<u>7</u>
Other	<u>43</u>	<u>26</u>
Current tax charge for period	<u>43</u>	<u>33</u>

The Company is taxed on 99.9% of the taxable profits of Blairlogie Capital Management LP, in which the Company is the General Partner, and is included in 'other' (see above).

5. INTANGIBLE FIXED ASSETS

	Goodwill £000
Cost:	
At 1 January 2003	5,451
Released during the year	<u>32</u>
As at 31 December 2003	<u>5,419</u>
Amortisation:	
At 1 January 2003	999
Provided during the year	<u>-</u>
Impairment loss	<u>4,420</u>
At 31 December 2003	<u>5,419</u>
Net Book Value:	
At 31 December 2003	<u>-</u>
At 1 January 2003	<u>4,452</u>

BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

5. INTANGIBLE FIXED ASSETS (CONT'D)

Goodwill relates to the transaction to acquire from Blairlogie International LLC, a Delaware Limited Liability Company, their 83.15% interest in Blairlogie Capital Management LP (BCM). BCM is a limited partnership formed on 21 December 1994 under the laws of Scotland. Under the terms of the agreement, Britannic Asset Management International Limited is entitled to 99.9% of net income/losses arising in BCM.

BCM transferred its one remaining investment management contract to Britannic Investment Managers Limited (BIM) on 31 December 2003. As a result the goodwill associated with the acquisition is considered to have no value and full write off on the carrying value has been effected in 2003. As the transaction to acquire Blairlogie was funded by intercompany debt with BIM, the full write back of the intercompany balance with BIM has taken place.

6. CALLED UP SHARE CAPITAL

The authorised and issued share capital of the company at 31 December 2003 and 31 December 2002 consists of :-

	<u>Authorised Number</u>	<u>Issued and Fully Paid Number</u>	<u>£000</u>
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100</u>

7. PROFIT AND LOSS ACCOUNT

	<u>2003 £000</u>	<u>2002 £000</u>
Balance at 1 January	(702)	(124)
Retained profit / (loss) for year	<u>559</u>	<u>(578)</u>
Balance at 31 December	<u>(143)</u>	<u>(702)</u>

9. TRANSACTIONS WITH DIRECTORS AND THEIR RELATED PARTIES

Disclosure of details in respect of H Cottam, R Fortin, P Thompson and B Portman (resigned 13 August 2003) 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.

BRITANNIC ASSET MANAGEMENT INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

9. RELATED PARTY DISCLOSURE

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 transactions. The company is such a subsidiary undertaking and accordingly has not disclosed such transactions.

10. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Britannic Investment Management Limited which is a body incorporated in Scotland.

The Company's ultimate 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