

Britannic Group Services Limited

**Directors' Report
and
Financial Statements**

For the year ended

31 December 2004



Registered in England No. : 2090476

Britannic Group Services Limited

Report of the Directors

The Directors present their report and audited financial statements for the year ended 31 December 2004.

Principal activity

The principal activity of the Company is the provision of non insurance services to the Group's customers and in particular the arrangement with the Bank of Scotland for the Sovereign Account. The Sovereign Bank Account was launched on 1 July 1998 as an investment option for maturing Ordinary Branch and Industrial Branch business policies.

Business review

The Directors consider the results set out in the attached financial statements and the future prospects for the Company to be satisfactory.

Directors

The following Directors have served during the year:

Bernard Brown
Steve Baker (resigned 29 February 2004)
Jeremy Taber (resigned 12 March 2004)
Graham Singleton (appointed 3 March 2004)

None of the Directors held shares in the Company at any time during the year.

Bernard Brown is a Director of Britannic Assurance plc (a fellow subsidiary of Britannic Group plc). His interest in the share capital of Britannic Group plc is given in the Britannic Assurance plc Financial Statements and Directors' report.

Graham Singleton is a Director of Britannic Group plc. His interests in the share capital of Britannic Group plc are given in the Britannic Assurance plc Financial Statements and Directors' report.

Employees

There were no employees during 2004 (2003: Nil).

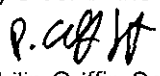
Dividends

The Directors do not propose a final dividend for the year ended 31 December 2004. (2003: £500,000).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the Annual General Meeting.

By order of the Board


Philip Griffin-Smith
Secretary

1 Wythall Green Way
Wythall
Birmingham
B47 6WG

Britannic Group Services Limited

Statement of Directors' Responsibilities

Company law requires Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- (a) Select suitable accounting policies and then apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent;
- (c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) 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.

Britannic Group Services Limited

Report of the Independent Auditors to the Members of Britannic Group Services Limited

We have audited the financial statements on pages 4 to 8.

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 2, 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 Director's 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' 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 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
8 Salisbury Square
London
EC4Y 8BB

25 February 2005

Britannic Group Services Limited

Profit and Loss Account for the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Turnover		33	40
Administrative expenses		(23)	(34)
Operating profit		<u>10</u>	<u>6</u>
Interest receivable and similar income	2	7	29
Profit on ordinary activities before taxation	3	<u>17</u>	<u>35</u>
Taxation on profits on ordinary activities	5	(4)	(8)
Profit on ordinary activities after taxation		<u>13</u>	<u>27</u>
Dividend		<u>0</u>	<u>(500)</u>
Retained profits brought forward		50	523
Retained profits carried forward		<u>63</u>	<u>50</u>

The Company has no recognised gains and losses other than those detailed above.
All figures relate to continuing operations.

The notes on pages 6 to 8 are an integral part of these financial statements.

Britannic Group Services Limited

Balance Sheet as at 31 December 2004

	Notes	2004 £000	2003 £000
Current assets			
Debtors	6	8	11
Cash at bank and in hand	7	<u>117</u> 125	<u>612</u> 623
Creditors - amounts falling due within one year	8	(12)	(523)
Net assets		<u><u>113</u></u>	<u><u>100</u></u>
Capital and reserves - equity shareholders' funds			
Called up share capital	9	50	50
Profit and loss account	10	63	50
	11	<u><u>113</u></u>	<u><u>100</u></u>

The financial statements were approved by the Board of Directors on ²⁵ February 2005 and were signed on its behalf by :



Director
G. L. Singleton

Britannic Group Services Limited

Notes to the Financial Statements

1. Accounting standards and policies

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

Turnover

Operating income represents the income accruing to the Company from its continuing operation of providing non insurance services to the Group's customers.

2. Interest receivable and similar income | | 2004 | 2003 | |--|-------------|-------------| | | £000 | £000 |

Bank interest	<u>7</u>	<u>29</u>
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3. Profit on ordinary activities before taxation | | 2004 | 2003 | |--|-------------|-------------| | | £000 | £000 |

Profit on ordinary activities before tax is stated after charging :

Auditors' remuneration	<u>2</u>	<u>2</u>
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4. Directors' emoluments

No emoluments were payable to the directors in respect of the year (2003: £Nil)

5. Taxation | | 2004 | 2003 | |--|-------------|-------------| | | £000 | £000 |

United Kingdom taxation		
Current year tax at 30% (2003:30%)	5	10
Prior year tax at 30% (2003:30%)	<u>(1)</u>	<u>(2)</u>
	<u><u>4</u></u>	<u><u>8</u></u>

Factors affecting the tax charge for the year

The current tax charge for the year is lower (2003: lower) than the profit on ordinary activities multiplied by the standard rate of UK Corporation tax of 30% (2003: 30%).

The differences are explained below:-

	2004	2003
	£000	£000
Profit on ordinary activities before tax	<u>17</u>	<u>35</u>
Expected tax charge at 30% (2002: 30%)	5	10
Effects of :-		
Adjustments to tax charge in respect of previous years	<u>(1)</u>	<u>(2)</u>
	<u><u>4</u></u>	<u><u>8</u></u>

Britannic Group Services Limited

Notes to the Financial Statements

6. Debtors	2004	2003
	£000	£000
Other debtors	<u>8</u>	<u>11</u>
All debtors are due within one year of the Balance Sheet date		
7. Cash at bank and in hand	2004	2003
	£000	£000
Bank deposits	114	611
Cash in hand	3	1
	<u>117</u>	<u>612</u>
8. Creditors - amounts falling due within one year	2004	2003
	£000	£000
Corporation tax payable	5	10
Accruals and other creditors	-	2
Dividends proposed	-	500
Amounts due to fellow subsidiary undertaking	7	11
	<u>12</u>	<u>523</u>
9. Share capital	2004	2003
	£000	£000
Authorised ordinary shares of £1 each	<u>250</u>	<u>250</u>
Allotted, issued, called up and fully paid ordinary shares of £1 each	<u>50</u>	<u>50</u>
10. Profit and loss account	2004	2003
	£000	£000
As at 1 January	50	523
Profit for the year	13	27
Dividend	-	(500)
As at 31 December	<u>63</u>	<u>50</u>
11. Reconciliation of movement in equity shareholders' funds	2004	2003
	£000	£000
As at 1 January	100	573
Profit for the year	13	27
Dividend payable	-	(500)
As at 31 December	<u>113</u>	<u>100</u>

Britannic Group Services Limited

Notes to the Financial Statements

12. Related party disclosure

As a wholly owned subsidiary, the Company has taken advantage of the exemption provided by Financial Reporting Standard 8 and has therefore not disclosed intra-group transactions.

13. Financial Reporting Standard 1 disclosure

As permitted by Financial Reporting Standard 1 (Revised 1996), no cash flow statement is presented on the grounds that it is a subsidiary undertaking of Britannic Group plc. Cash flows of this Company are reported in the Consolidated Cash Flow Statement of its ultimate parent undertaking (note 14).

14. Parent company

The Company's immediate and ultimate parent undertaking is Britannic Group plc. Copies of the Group financial statements may be obtained from the Company Secretary, Britannic Group plc, 1 Wythall Green Way, Birmingham, B47 6WG. Britannic Group plc heads up the largest and smallest group of undertakings for which group accounts are drawn up.