

794936

HILL SAMUEL ASSET MANAGEMENT LIMITED

REPORT AND ACCOUNTS 1998

MEMBER OF LLOYDS TSB GROUP



Hill Samuel Asset Management Limited

Report and accounts 1998

Registered office
10 Fleet Place, London EC4M 7RH

Registered number
794936

Directors

B.J. Southcott (Chairman and Chief Executive)

A.J. Ainsworth

G. Buckland

J.S. Dick

S-A. Hibberd

I.G. Jolliffe

J.R.T. Miller

Secretary
S.J. Hopkins

Hill Samuel Asset Management Limited

Directors' report

Principal activity and results

The principal activity of the company is investment management.

The profit after taxation for the year ended 31 December 1998 was £6,764,755 (1997: £10,090,165) as shown in the profit and loss account on page 4. An interim dividend of £7,000,000 (1997: £5,000,000) was paid during the year.

Directors

The names of the directors of the company are shown on page 1.

Mr. P. G. Cattermull and Dr. S. A. Cowley resigned as directors on 31 January 1998. Mrs L. C. Powers-Freeling resigned as a director on 3 March 1998.

Reference is made on page 8 in note 5 to the interests of the directors in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries.

Policy and practice on payment of creditors

The company does not follow a code relating to payments to suppliers. Its policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the company owed no amounts to trade creditors at 31 December 1998, the number of days to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (1997:nil).

Hill Samuel Asset Management Limited

Directors' report (continued)

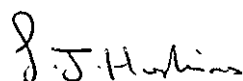
Year 2000

The company recognises the far-reaching implications of the Year 2000 problem. The principle risk faced by the company is a failure to maintain electronically based services to its customers. Hill Samuel Asset Management Group Limited, of which the company is a subsidiary, has undertaken a review of computerised systems throughout the group, to identify any alterations needed to deal with the problems arising from the failure to recognise dates before, on or after 1 January 2000. A significant proportion of the necessary changes have now been made and there are plans to ensure that customer service will be maintained at all times. In that regard, comprehensive testing will continue throughout 1999.

The group is liaising with its customers, suppliers and others to assess and minimise the impact on the group should they fail to deal adequately with this issue.

All costs relating to the company's Year 2000 preparations are being borne by Hill Samuel Asset Management Group Limited and have been disclosed in that company's accounts.

On behalf of the board



S.J Hopkins
Secretary

8 March 1999

Hill Samuel Asset Management Limited

Profit and loss account for the year ended 31 December 1998

| | | 1998 | 1997 |
|--|-------------|------------------|-------------------|
| | <i>Note</i> | £ | £ |
| Turnover | <i>1a</i> | 47,077,378 | 49,388,048 |
| Administrative expenses | | (38,208,042) | (35,968,351) |
| Operating profit | | <u>8,869,336</u> | <u>13,419,697</u> |
| Interest receivable and similar income | 2 | 916,638 | 1,107,031 |
| Profit on ordinary activities before taxation | 3 | <u>9,785,974</u> | <u>14,526,728</u> |
| Taxation on profit on ordinary activities | 7 | (3,021,219) | (4,436,563) |
| Profit on ordinary activities after taxation | | <u>6,764,755</u> | <u>10,090,165</u> |
| Dividend | 8 | (7,000,000) | (5,000,000) |
| Retained (loss)/profit | 15 | <u>(235,245)</u> | <u>5,090,165</u> |

All activities are continuing.

The company had no recognised gains or losses other than the profit for the year.

The notes on pages 6 to 12 form part of these accounts.

Hill Samuel Asset Management Limited

Balance sheet at 31 December 1998

| | <i>Note</i> | 1998 £ | 1997 £ |
|---|-------------|-------------------|-------------------|
| Fixed assets | | | |
| Investments | 9 | 100,125 | 397,201 |
| Current assets | | | |
| Debtors | 10 | 14,324,858 | 14,575,936 |
| Cash at bank and in hand | | 13,299,057 | 14,572,268 |
| | | <u>27,623,915</u> | <u>29,148,204</u> |
| Creditors: amounts falling due within one year | 11 | (6,881,421) | (8,467,541) |
| Net current assets | | <u>20,742,494</u> | <u>20,680,663</u> |
| Total assets less current liabilities | | <u>20,842,619</u> | <u>21,077,864</u> |
| Provisions for liabilities and charges | 12 | (149,874) | (149,874) |
| Net assets | | <u>20,692,745</u> | <u>20,927,990</u> |
| Capital and reserves | | | |
| Called-up share capital | 13 | 6,800,100 | 6,800,100 |
| Other reserves | 14 | 2,000,000 | 2,000,000 |
| Profit and loss account | 15 | 11,892,645 | 12,127,890 |
| Shareholder's funds (equity) | 16 | <u>20,692,745</u> | <u>20,927,990</u> |



B.J. Southcott
Director

The notes on pages 6 to 12 form part of these accounts.

Hill Samuel Asset Management Limited

Notes to the accounts

1. Accounting policies

The accounts are prepared under the historical cost convention, in compliance with the requirements of the Companies Act 1985 and in accordance with applicable accounting standards.

Under the provisions of section 228 of the Companies Act 1985, group accounts have not been prepared as the company is a wholly owned subsidiary undertaking of Lloyds TSB Group plc.

As permitted by Financial Reporting Standard 1 (revised), no cash flow statement is presented in these accounts, as the company is a wholly owned subsidiary undertaking of Lloyds TSB Group plc which presents such a statement in its own accounts.

In addition, advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Lloyds TSB Group plc or other group or associated undertakings, as the consolidated accounts of Lloyds TSB Group plc in which the company is included are publicly available.

a. Turnover

Turnover represents fees which are accounted for on the basis of amounts receivable for services rendered, and is predominantly charged to group entities within the United Kingdom.

b. Foreign currencies

Foreign revenues and costs are translated during the year at the rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

c. Investments

Shares in the subsidiary undertakings and other investments are included in the accounts of the company at cost less any permanent diminution in value.

d. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided or credited using the liability method on timing differences to the extent that they are expected to reverse in the foreseeable future and is calculated at the rate at which it is estimated that taxation will be payable or refunded.

Hill Samuel Asset Management Limited

Notes to the accounts (continued)

2. Interest receivable and similar income

| | 1998 £ | 1997 £ |
|---|----------------|------------------|
| Interest receivable from parent and fellow subsidiary undertakings | 916,638 | 1,106,981 |
| Interest receivable from external sources | - | 50 |
| | <u>916,638</u> | <u>1,107,031</u> |

3. Profit on ordinary activities before taxation

The audit fees of the company are borne by Hill Samuel Asset Management Group Limited.

4. Directors' emoluments

The emoluments of the directors have been apportioned across the Hill Samuel Asset Management Group companies. On that apportioned basis, the aggregate of the emoluments of the directors was £1,338,962 (1997:£466,335).

Retirement benefits are accruing to 9 (1997:8) directors under defined benefit pension schemes.

The number of directors who exercised share options was 1 (1997:1).

The emoluments of the highest paid director were £331,101 (1997:£167,894). At the year end, his accrued pension totalled £6,500 (1997:£2,610) per annum, being his pension entitlement based on pensionable service with the group to 31 December 1998 but payable at normal retirement age.

Two (1997:2) former directors received compensation for loss of executive office amounting to £285,003 (1997:£190,000).

Hill Samuel Asset Management Limited

Notes to the accounts (continued)

5. Directors' interests

The interests of those directors, who were not also directors of Hill Samuel Asset Management Group Limited, in the capital of Lloyds TSB Group plc were:

Ordinary shares of 25p each:

| | At 31 December 1998 | At 1 January 1998 |
|----------------|---------------------------|-------------------------|
| A.J. Ainsworth | 4,858 | 6,903 |
| J.S. Dick | 4,197 | 5,222 |
| S-A. Hibberd | 2,577 | 1,919 |
| I.G. Jolliffe | 1,259 | 1,259 |
| J.R.T. Miller | 35,929 | 35,282 |

Options to acquire ordinary shares of 25p each:

| | At 1 January 1998 | During the year | | At 31 December 1998 |
|-----------------|-------------------------|-----------------|-----------|---------------------------|
| | | Granted | Exercised | |
| A. J. Ainsworth | 31,512 | - | - | 31,512 |
| J.S. Dick | 31,997 | 5,000 | - | 36,997 |
| S-A. Hibberd | 2,330 | 5,253 | - | 7,583 |
| I. G. Jolliffe | 672 | 8,761 | - | 9,433 |
| J.R.T. Miller | 53,151 | 5,000 | - | 58,151 |

None of these directors had any other interest in the capital of Lloyds TSB Group plc or its subsidiaries.

6. Employees (including directors) and costs

| | 1998 £ | 1997 £ |
|----------|---------------|---------------|
| Salaries | 12,093 | 16,359 |
| | <u>12,093</u> | <u>16,359</u> |

The average number of employees during the year was 1 (1997:1).

Hill Samuel Asset Management Limited

Notes to the accounts (continued)

7. Taxation on profit on ordinary activities

The tax charge comprises:

| | 1998 £ | 1997 £ |
|---|------------------|------------------|
| Corporation tax payable at 31% (1997:31.5%) | 3,033,682 | 4,628,443 |
| Adjustment relating to an earlier year | (12,463) | (191,900) |
| | <u>3,021,219</u> | <u>4,436,563</u> |

8. Dividend

An interim dividend of £7,000,000 (1997:£5,000,000 payable) was paid during the year.

9. Investments

| | Shares in subsidiary undertakings | Other investments | Total |
|---------------------|--------------------------------------|----------------------|----------------|
| | £ | £ | £ |
| Cost | | | |
| At 1 January 1998 | 325 | 446,876 | 447,201 |
| Disposals | 200 | 346,876 | 347,076 |
| At 31 December 1998 | <u>125</u> | <u>100,000</u> | <u>100,125</u> |
| Net book value | | | |
| At 31 December 1998 | <u>125</u> | <u>100,000</u> | <u>100,125</u> |
| At 31 December 1997 | <u>325</u> | <u>396,876</u> | <u>397,201</u> |

The subsidiaries of Hill Samuel Asset Management Limited are:

| | Country of incorporation | Activity | Percentage of equity shares held |
|---|--------------------------------|----------|--|
| Kintore (Nominees) Limited | Scotland | Nominee | 100 |
| Philip Hill, Higginson Nominees Limited | England | Nominee | 100 |

Hill Samuel Asset Management Limited

Notes to the accounts (continued)

10. Debtors

| | 1998 £ | 1997 £ |
|------------------------------------|-------------------|-------------------|
| Trade debtors | 4,685,102 | 3,082,369 |
| Amounts owed by group undertakings | 434,628 | 1,344,714 |
| Other debtors | 697 | 686,208 |
| Prepayments and accrued income | 9,204,431 | 9,462,645 |
| | <u>14,324,858</u> | <u>14,575,936</u> |

11. Creditors: amounts falling due within one year

| | 1998 £ | 1997 £ |
|------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | 3,430,596 | 2,480,373 |
| Amounts owed to subsidiaries | - | 200 |
| Group relief payable | 3,033,682 | 4,628,463 |
| Other creditors | 417,143 | 544,197 |
| Accruals and deferred income | - | 814,308 |
| | <u>6,881,421</u> | <u>8,467,541</u> |

12. Provisions for liabilities and charges

| | 1998 £ | 1997 £ |
|--|----------------|----------------|
| At 1 January | 149,874 | 336,840 |
| Credit for the year in the profit and loss account | - | (186,966) |
| At 31 December | <u>149,874</u> | <u>149,874</u> |

Provision has been made in the accounts for certain contingent liabilities to the extent that the directors consider such liabilities may crystallise.

Hill Samuel Asset Management Limited

Notes to the accounts (continued)

13. Called-up share capital

| | 1998 £ | 1997 £ |
|---------------------------------------|-----------|-----------|
| Authorised ordinary shares of £1 each | 7,000,000 | 7,000,000 |
| Issued and fully paid | 6,800,100 | 6,800,100 |

The company's parent company is Hill Samuel Asset Management Group Limited and the ultimate parent company is Lloyds TSB Group plc, which is also the parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member. Copies of the accounts of Lloyds TSB Group plc may be obtained from the company secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

14. Other reserves

| | 1998 £ | 1997 £ |
|-------------------------|-----------|-----------|
| Contribution to capital | 2,000,000 | 2,000,000 |

The amount of other reserves represents irrevocable gifts to the company as contributions to capital. These amounts are distributable at the discretion of the directors.

15. Profit and loss account

| | 1998 £ | 1997 £ |
|------------------------|------------|------------|
| At 1 January | 12,127,890 | 7,037,725 |
| Retained (loss)/profit | (235,245) | 5,090,165 |
| At 31 December | 11,892,645 | 12,127,890 |

Hill Samuel Asset Management Limited

Notes to the accounts (continued)

16. Reconciliation of movements in shareholder's funds

| | 1998 £ | 1997 £ |
|---|-------------|-------------|
| Profit for the year | 6,764,755 | 10,090,165 |
| Dividend | (7,000,000) | (5,000,000) |
| Net (deduction)/addition to shareholder's funds | (235,245) | 5,090,165 |
| Opening shareholder's funds | 20,927,990 | 15,837,825 |
| Closing shareholder's funds | 20,692,745 | 20,927,990 |

17. Related party transactions

Turnover includes investment management fees of £10,312,471 (1997: £8,625,238) earned from pension funds for the benefit of employees of Lloyds TSB Group plc and fees earned under management contracts of £3,985,392 (1997: £3,696,033) from collective investment schemes distributed by Lloyds TSB Financial Services Holdings plc.

18. Pensions

The company is a member of the TSB Group pension scheme and the Lloyds Bank pension scheme.

Full details of the schemes are disclosed in the accounts of the ultimate holding company, Lloyds TSB Group plc.

19. Date of approval

The directors approved the accounts on 8 March 1999.

Report of the auditors to the member of Hill Samuel Asset Management Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

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 as at the end of the year and of the profit or loss of the company for that year. In preparing those 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 a going concern basis unless it is inappropriate to presume that the company will continue its business.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibilities, as independent auditors, are established 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. 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 the information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.


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 relevant 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 affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
London

8 March 1999