

# Mercury Fund Managers Ltd.

Company No. 1102517

## DIRECTORS

F D S Rosier  
R G Royds  
N J Charrington  
R J S Clarke  
M W Dedman  
K W Emery  
P T Geikie-Cobb  
C M Littlejohns  
K E Wake  
B W Woolf

## SECRETARY

H M Perkins

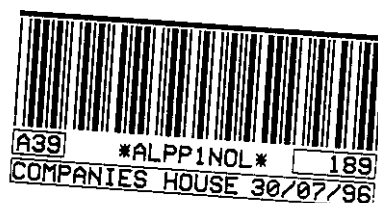
## AUDITORS

Ernst & Young  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## REGISTERED OFFICE

33 King William Street  
London EC4R 9AS

ERNST & YOUNG



**DIRECTORS' REPORT**

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The directors submit the annual report and financial statements of the Company for the year ended 31 March 1996.

**RESULTS AND DIVIDEND**

The profit of the Company for the year, after taxation, amounted to £18,363,159 (1995 - £13,376,789). During the year, interim dividends totalling £8,000,000 (1995 - £12,600,000) were paid. The directors have paid a further interim dividend of £7,000,000 (1995 - £nil) for the year ended 31 March 1996 and recommend that the balance on the profit and loss account of £3,363,159 be added to retained reserves.

**REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The Company acts as a manager of investment funds. The aggregate value of the unit trusts managed by the Company at 31 March 1996 was £9,647,800,000. The business of the Company continues without significant change.

**DIRECTORS AND THEIR INTERESTS**

The directors during the year were as follows:

F D S Rosier (Chairman)  
R G Royds (Managing Director)  
B W Woolf  
N J Charrington  
R J S Clarke  
M W Dedman (appointed 12 January 1996)  
K W Emery\* (appointed 14 November 1995)  
P T Geikie - Cobb (appointed 31 May 1995)  
C M Littlejohns (appointed 31 May 1995)  
S R G Newton (resigned 21 June 1996)  
M J N Stewart\* (resigned 7 February 1996)  
K E Wake  
S M Wood (resigned 1 January 1996)

\* non executive

## DIRECTORS' REPORT

**DIRECTORS AND THEIR INTERESTS** (continued)

At 31 March 1996, R G Royds, F D S Rosier and B W Woolf were directors of another company within the Mercury Asset Management group, of which the Company is a wholly owned subsidiary and their interests in shares are disclosed elsewhere. The beneficial interests of the remaining directors were as follows.

*Mercury Asset Management Group plc*

*Ordinary shares  
of 5p each*

	<i>31 March 1996</i>	<i>1 April 1995*</i>
N J Charrington	7,900	2,385
R J S Clarke	17,711	19,743
P T Geikie-Cobb	16,152	1,548
C M Littlejohns	5,386	8,316
S R G Newton	37,138	23,561
K E Wake	23,901	6,704
*or date of appointment		

M W Dedman and K W Emery hold no shares in Mercury Asset Management Group plc.

During the year, a number of directors were granted and/or exercised options over Ordinary shares of 5p each in Mercury Asset Management Group plc, as follows:

	<i>1 April 1995*</i>	<i>Granted</i>	<i>Exercised</i>	<i>31 March 1996</i>
N J Charrington	15,000	7,500	—	22,500
R J S Clarke	5,000	6,000	—	11,000
P T Geikie-Cobb	—	9,000	—	9,000
C M Littlejohns	2,500	6,000	—	8,500
S R G Newton	—	9,000	—	9,000
K E Wake	2,500	6,000	—	8,500
B W Woolf	—	7,500	—	7,500

\* or date of appointment

Options granted during the year to subscribe for Ordinary shares of 5p each in Mercury Asset Management Group plc are exercisable at 863p no later than 27 November 2005.

Certain executive directors are interested as employees and potential beneficiaries under the terms of the Mercury Asset Management Employee Trust in Ordinary shares of Mercury Asset Management Group plc held by that Trust. At 31 March 1996, the Trust held 3,355,924 Ordinary shares (1995 - 7,124,948).

DIRECTORS' REPORT

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**POLICY ON PAYMENT OF SUPPLIERS**

It is the general policy of the Company to pay for the supply of goods and services within 30 days of the date of any invoice. In addition, for certain suppliers, the arrangements for payment are settled when agreeing the terms of each transaction.

**AUDITORS**

A resolution proposing the reappointment of Ernst & Young as auditors will be submitted to the Annual General Meeting.

By order of the Board

*Helen Perkins*

H M Perkins  
Secretary

33 King William Street  
London EC4R 9AS

23 JULY 1996

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
FINANCIAL STATEMENTS

The Companies Act 1985 requires the directors to ensure that financial statements are prepared which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit for the financial year. The directors consider that, in preparing the financial statements on pages 7 to 12, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed. The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which 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 detect and prevent fraud and other irregularities. The directors, after making enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

**REPORT OF THE AUDITORS**

to the members of Mercury Fund Managers Ltd.

We have audited the financial statements on pages 7 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

**Respective responsibilities of directors and auditors**

As described on page 5 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

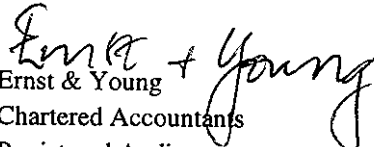
**Basis of opinion**

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 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 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Chartered Accountants  
Registered Auditor

London

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# Mercury Fund Managers Ltd.

## PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1996

	Note	1996 £	1995 £
<b>TURNOVER</b>	2	4,240,612,712	3,065,171,046
Cost of sales		(4,183,737,663)	(3,016,698,221)
<b>GROSS PROFIT</b>		<u>56,875,049</u>	<u>48,472,825</u>
Administrative expenses		(33,386,719)	(30,725,073)
Interest receivable		1,052,695	624,441
Other operating income		786,897	807,211
Interest payable	4	(1,119)	(4,468)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<u>25,326,803</u>	<u>19,174,936</u>
Taxation	5	(6,963,644)	(5,798,147)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	12	<u>18,363,159</u>	<u>13,376,789</u>
Dividends	6	(15,000,000)	(12,600,000)
<b>RETAINED PROFIT FOR THE YEAR</b>		<u><u>3,363,159</u></u>	<u><u>776,789</u></u>

### RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the Company of £18,363,159 in the year ended 31 March 1996 and of £13,376,789 in the year ended 31 March 1995.

# Mercury Fund Managers Ltd.

## BALANCE SHEET

at 31 March 1996

	Note	1996 £	1995 £
<b>CURRENT ASSETS</b>			
Debtors	7	16,265,154	17,359,452
Investments	8	1,921,846	3,148,472
Cash at bank and in hand	9	18,956,567	8,680,552
		<u>37,143,567</u>	<u>29,188,476</u>
<b>CREDITORS: amounts falling due within one year</b>	10	(29,822,786)	(25,230,854)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,320,781</u>	<u>3,957,622</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	100,000	100,000
Profit and loss account	12	7,220,781	3,857,622
		<u>7,320,781</u>	<u>3,957,622</u>

Director  
FSS ROSIER  
Director  
NICHARINGTON

23 JULY 1996

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1996

1. ACCOUNTING POLICIES

*Accounting convention*

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

*Current assets*

Investments in Unit Trusts are shown at the lower of cost and directors' valuation.

*Employee costs and pensions*

Employee costs and related pension benefits are paid by a fellow subsidiary company which recovers its costs through service charges to the Company. Details of the pension benefits and contributions and the most recent actuarial valuation are given in the financial statements of Mercury Asset Management Group plc.

*Deferred taxation*

Deferred taxation balances are recognised to the extent that they are expected to reverse in the future without being replaced.

2. TURNOVER

Turnover, all of which arises from continuing activities in the UK, represents management fees and proceeds on sales of units.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	1996 £	1995 £
Auditors' remuneration	19,000	19,000

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1996

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

## (b) Directors' emoluments

All (1995 all) the directors who served during the year are employed by a fellow subsidiary company which recovers its costs through service charges to group companies. No emoluments were paid by the Company to directors during the year ended 31 March 1996 (1995 - £Nil), but it is estimated that £2,560,608 (1995 - £1,181,136) of the service charges borne by the Company represents directors' emoluments for services to the Company. The emoluments, before taxation and excluding pension scheme contributions, of the directors who discharged their duties wholly or mainly within the United Kingdom, fell within the following bands and include the following amounts in respect of realisations of deferred equity which have accrued over the period since 1989:

			<i>Realisation of deferred equity</i>		<i>Realisation of deferred equity</i>	
			<i>1996</i>	<i>1996</i>	<i>1995</i>	<i>1995</i>
			<i>No.</i>		<i>No.</i>	
£Nil	-	£5,000	3			
£5,001	-	£10,000	-		1	
£10,001	-	£15,000	1		-	
£15,001	-	£20,000	1		-	
£55,001	-	£60,000	-		1	
£85,001	-	£90,000	-		1	
£90,001	-	£95,000	1	33,383	-	
£100,001	-	£105,000	-		2	
£115,001	-	£120,000	1	7,675	-	
£145,001	-	£150,000	-		1	
£190,001	-	£195,000	-		1	
£200,001	-	£205,000	1	38,379	1	
£230,001	-	£235,000	-		1	88,362
£235,001	-	£240,000	1	146,392	-	
£265,001	-	£270,000	1	122,815	-	
£300,001	-	£305,000	2	430,266	-	
£1,005,001	-	£1,010,000	1	771,141	-	

The above table includes the chairman who received no emoluments for services to the Company (1995 - £Nil). The highest paid director received £1,006,862 (1995 - £231,057) of which £901,141 (1995 - £148,362) represents annual performance related emoluments and realisation of deferred equity. No pension contributions (1995 - £6,817) were made on behalf of the highest paid director.

## 4. INTEREST PAYABLE

	<i>1996</i>	<i>1995</i>
	<i>£</i>	<i>£</i>
Bank loans and overdrafts	1,119	4,468

# Mercury Fund Managers Ltd.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1996

### 5. TAXATION

	1996 £	1995 £
UK corporation tax at 33%	7,409,963	5,008,627
Tax on franked investment income	761,779	789,520
Prior year adjustment	(1,208,098)	—
	<u>6,963,644</u>	<u>5,798,147</u>

### 6. DIVIDENDS

	1996 £	1995 £
Ordinary - interim paid	<u>15,000,000</u>	<u>12,600,000</u>

### 7. DEBTORS

	1996 £	1995 £
Trade debtors	16,182,654	15,876,952
Advance corporation tax recoverable	—	1,400,000
Deferred taxation	82,500	82,500
	<u>16,265,154</u>	<u>17,359,452</u>
Deferred taxation:		
Balance brought forward	82,500	82,500
Profit and loss account	—	—
	<u>82,500</u>	<u>82,500</u>

### 8. INVESTMENTS

	1996 £	1995 £
Units held in Unit Trusts	<u>1,921,846</u>	<u>3,148,472</u>

### 9. CASH AT BANK AND IN HAND

	1996 £	1995 £
Cash at bank	<u>18,956,567</u>	<u>8,680,552</u>

# Mercury Fund Managers Ltd.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 March 1996

### 10. CREDITORS: amounts falling due within one year

	1996 £	1995 £
Trade creditors	8,157,437	4,973,472
Amounts due to fellow subsidiary undertakings	7,463,913	11,681,318
Corporation tax payable	4,949,388	6,307,397
Other taxes	798,651	1,363,209
Other creditors	1,453,397	905,458
Proposed dividend	7,000,000	—
	<u>29,822,786</u>	<u>25,230,854</u>

### 11. CALLED UP SHARE CAPITAL

	1996 £	Authorised 1995 £	1996 £	Allotted, called up and fully paid 1995 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

### 12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 April 1994	100,000	3,080,833	3,180,833
Profit for the year	—	13,376,789	13,376,789
Dividend	—	(12,600,000)	(12,600,000)
At 1 April 1995	<u>100,000</u>	<u>3,857,622</u>	<u>3,957,622</u>
Profit for the year	—	18,363,159	18,363,159
Dividend	—	(15,000,000)	(15,000,000)
At 31 March 1996	<u>100,000</u>	<u>7,220,781</u>	<u>7,320,781</u>

### 13. HOLDING COMPANY

The Company is a wholly owned subsidiary of Mercury Asset Management plc, whose ultimate holding company at 31 March 1996 was Mercury Asset Management Group plc, registered in England.

The smallest and largest group of which this Company is a member and which has included this Company in group financial statements is Mercury Asset Management Group plc, registered in England. Financial statements for Mercury Asset Management Group plc may be obtained from 33 King William Street, London EC4R 9AS.

At an Extraordinary General Meeting of S. G. Warburg Group plc held on 1 June 1995, the shareholders approved the sale of the investment banking business of the S. G. Warburg group to Swiss Bank Corporation. The sale, which was completed on 2 July 1995, was followed by a Scheme of Arrangement, the effect of which was that S. G. Warburg Group plc ceased to be the ultimate holding company.