

2054/53

NN UK Limited

Report and Accounts - 30th September 1988

NM UK LIMITED

REPORT OF THE DIRECTORS

Principal Activity

1. The company's principal activity is to act as the holding company for the United Kingdom subsidiaries of The National Mutual Life Association of Australasia Limited. The principal activities of the company's subsidiaries are the promotion of financial management services and products within the United Kingdom and overseas, including life assurance and pension products, unit trusts, domestic mortgage lending, portfolio management and financial and tax planning services.

Investment in Subsidiary

2. On 7th October, 1987 the company provided a loan of £3,000,000 to NM Schroder Financial Management Limited. The loan is fully subordinated to the rights of all other present and future creditors, is unsecured, interest free and repayable on notice of one year and one day.

Reorganisation of The National Mutual Life Association of Australia's United Kingdom Business Activities

3. Under a Scheme pursuant to Sections 49 and 50 of the Insurance Companies Act 1982 approved by the High Court on 23rd March, 1988 and which became effective on 31st March, 1988 the whole of the United Kingdom long-term insurance business of The National Mutual Life Association of Australasia Limited, was transferred to NM Schroder Life Assurance Limited. The purpose of the Scheme was to consolidate the United Kingdom life assurance operations of The National Mutual Life Association of Australasia Limited so as to increase financial flexibility and to create economies of scale to enhance overall efficiency.

In accordance with the terms of the Scheme, and in order to enable NM Schroder Life Assurance Limited to develop and expand its business, The National Mutual Life Association of Australasia Limited, recapitalised NM Schroder Life Assurance Limited by making a capital contribution of £51m to the company on 31st March, 1988.

In accordance with the terms of the Scheme, NM Schroder Life Assurance Limited transferred an amount of £51m as development finance from reserves to the Ordinary Long-term Insurance Revenue Account. In addition the Scheme provides that assets representing the amount transferred to the Ordinary Long-term Insurance Revenue Account will remain within the Ordinary Long-term Insurance Fund until 1st April, 1993 and can only be transferred out of the Ordinary Long-term Insurance Fund on, or after that date with the agreement of the Actuary.

Results and Business Review

4. The results for the year ended 30th September, 1988 are shown in the Consolidated Profit and Loss Account on page 4. No transfer has been made from the Ordinary Long-term Insurance Fund in respect of the surplus arising in the year.

2

NM UK LIMITED

REPORT OF THE DIRECTORS (CONTD)

The profit for the year of £34.0m (1987: Loss £10.1m) has been arrived at after amortising goodwill arising on consolidation of £6.2m (1987: £6.2m) and after taking credit for a £41.9m (1987: £(3.4m)) increase in the value of the in-force ordinary long-term insurance business, part of which has been treated as an extraordinary item.

The directors consider these results and the group's position to be acceptable and they expect the group to continue to develop from its current position.

Dividends

5. The directors do not recommend the payment of a dividend for the year ended 30th September, 1988.

Political and Charitable Donations

6. The company made no political or charitable donations during the year ended 30th September, 1988.

Directors and Directors Interests

7. The directors of the company during the year to which this report refers were:-

The Hon E.L. Baillieu (Chairman)	
Mr R.W. Taylor	(Managing Director)
The Hon N. Assheton	
Mr W. Beatty	
Mr A.J. Duggin	
Mr N.R. Dunseath	(appointed 25th April, 1988)
Mr C.M.J. Eldridge	(appointed 28th March, 1988)
Mr P.J. Gaynor	(appointed 22nd February, 1988)
Mr J. Kent	(appointed 1st October, 1987)
Mr D. Kirby	(appointed 22nd February, 1988)
Mr G.W. Mallinckrodt	
Mr E.A. Mayer	
Mr I.G. Sampson	(appointed 25th April, 1988)
Mr I.P. Sedgwick	
(alternate for Mr G.W. Mallinckrodt)	
Mr C.H. Starr	(appointed 25th April, 1988)
Mr D.J. Stewart	(appointed 25th April, 1988)

Mr E.M.P. Welman resigned as Chairman of the company on 1st October, 1987 and director of the company on 31st December, 1987. The Hon E.L. Baillieu was appointed Chairman of the company on 1st October, 1987. Dr R.J. Leaper resigned as a director and managing director of the company on 31st January, 1988 on which date Mr R.W. Taylor was appointed managing director in his place.

No director had any interest in shares in, or debentures of, the company or any other group company during the year ended 30th September, 1988. Under the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 the directors are exempt from disclosing any interest in group companies registered outside Great Britain.

13

NM UK LIMITED

REPORT OF THE DIRECTORS (CONTD)

Employee Involvement

8. The company does not employ staff on its own account. All employees are employed by NM Schroder Financial Management Limited in Great Britain and NM Schroder Financial Management International Limited in Guernsey.

The company and its subsidiaries maintain formal communication channels and whenever possible inform relevant employees in respect of matters with which they are concerned and in relation to the financial affairs of the company and its subsidiaries. Opinions of the employees are also sought when making decisions which are likely to affect their interests.

It is the company and its subsidiaries' policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Where possible, members of staff who become disabled are retained in employment and the company is willing to arrange appropriate training. Subject to their aptitude, disabled staff are treated on equal terms with other employees in respect of training, career development and promotion.

Auditors

9. A resolution to reappoint the auditors Deloitte Haskins & Sells will be proposed at the Annual General Meeting.

20th December, 1988
NM House
Seldown
Poole
Dorset
BH15 1TD

BY ORDER OF THE BOARD


J.L. Keith
Secretary

AM UK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>11 Months to</u> <u>30.9.87</u> <u>£000</u>
Gross sales of unit trusts and shares in investment companies		231,444	325,439
Premiums received - Long-term insurance funds		<u>147,528</u>	<u>121,382</u>
REVENUE arising from the non insurance activities of the group in the year	2	55,431	51,621
Selling expenses		<u>(17,576)</u>	<u>(16,789)</u>
Administrative expenses	3	<u>37,855</u> <u>(40,580)</u>	<u>34,832</u> <u>(29,562)</u>
Other operating income		<u>(2,725)</u> <u>1,497</u>	<u>5,270</u> <u>1,411</u>
		<u>(1,228)</u>	<u>6,681</u>
Amortisation of goodwill on consolidation	8	(6,258)	(6,160)
Decrease in value of in-force long-term insurance business	8	(3,000)	(3,469)
Interest payable and similar charges		(32)	(4,583)
Share of losses of associated company	5	(111)	-
		<u>(9,401)</u>	<u>(14,212)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(10,629)	(7,531)
Tax on loss on ordinary activities	6	(298)	(2,655)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(10,927)	(10,186)
Extraordinary item	7	44,900	-
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u>33,973</u>	<u>(10,186)</u>

For restatement of reserves see Note 16

Notes to the accounts - pages 10 to 28.

Report of the auditors - page 28.

NM UK LIMITED

CONSOLIDATED BALANCE SHEET - 30 SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
FIXED ASSETS			
Intangible assets	8	112,414	76,772
Tangible assets - property	9	142	41
- other	9	3,704	2,777
Investments - associated company	11	39	-
- other	12	11,646	5,148
		<u>127,945</u>	<u>84,738</u>
CURRENT ASSETS			
Stock of units and shares		1,278	1,362
Debtors	13	25,535	32,368
Cash at bank and in hand		11,650	24,054
		<u>38,463</u>	<u>57,784</u>
ASSETS OF THE LONG-TERM INSURANCE FUNDS (PAGE 8)			
		1,013,050	722,540
		<u>1,179,458</u>	<u>865,062</u>
CAPITAL AND RESERVES			
Called up share capital	14	35,000	35,000
Reserves - revaluation	15	32	-
- other	16	23,670	(10,291)
		<u>58,702</u>	<u>24,709</u>
LOAN CAPITAL			
	17	78,008	76,408
		<u>136,710</u>	<u>101,117</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	18	32	23
CREDITORS			
Amounts falling due within one year	19	28,438	39,863
Amounts falling due after one year	19	1,228	1,519
		<u>29,666</u>	<u>41,382</u>
LONG-TERM INSURANCE FUNDS (PAGE 8)			
		1,013,050	722,540
		<u>1,179,458</u>	<u>865,062</u>

B.L. [Signature]

[Signature] Directors
20th December, 1988

Notes to the accounts - pages 10 to 28.

Report of the auditors - page 28.

NH UK LIMITED
BALANCE SHEET - 30 SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
FIXED ASSETS			
Investments in subsidiary companies	10	106,845	103,845
Other investments	12	10	10
		<u>106,855</u>	<u>103,855</u>
 CURRENT ASSETS			
Debtors	13	1,427	1,235
Cash at bank and in hand		1,254	4,273
		<u>2,681</u>	<u>5,508</u>
		<u>109,536</u>	<u>109,363</u>
 CAPITAL AND RESERVES			
Called up share capital	14	35,000	35,000
Reserves		(2,942)	(3,177)
		<u>32,058</u>	<u>31,823</u>
 LOAN CAPITAL	17	76,408	76,408
		<u>108,466</u>	<u>108,231</u>
 CREDITORS			
Amounts falling due within one year	19	1,070	1,132
		<u>109,536</u>	<u>109,363</u>

E.H. R...

[Signature] Directors

20th December, 1988

Notes to the accounts - pages 10 to 28.

Report of the auditors - page 28.

NM UK LIMITED

CONSOLIDATED ORDINARY LONG-TERM INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED TO 30TH SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>11 Months to</u> <u>30.9.87</u> <u>£000</u>
INCOME			
Premiums			
Regular		76,520	54,032
Single		71,008	67,350
		<hr/>	<hr/>
Investment income		147,528	121,382
		40,800	23,802
		<hr/>	<hr/>
		188,328	145,184
EXPENDITURE			
Claims - Deaths		7,879	4,053
- Maturity, Retirement and			
Annuity payments		24,586	15,885
- Other terminations		54,038	59,441
Commissions		10,835	8,051
Administration expenses		27,972	21,214
Taxation	6	(2,605)	409
		<hr/>	<hr/>
		122,705	109,053
Excess of income over expenditure		65,623	36,131
Realised investment profits		25,156	23,574
Transfer (from)/to investment reserve		(129,666)	141,778
		<hr/>	<hr/>
Transfer of business	20	(38,887)	201,483
		278,486	-
		<hr/>	<hr/>
INCREASE IN FUNDS DURING THE YEAR		239,599	201,483
FUNDS AT THE BEGINNING OF THE YEAR		722,412	520,929
		<hr/>	<hr/>
TRANSFER FROM RESERVES	20	962,011	722,412
		51,039	-
		<hr/>	<hr/>
FUNDS AT THE END OF THE YEAR		1,013,050	722,412
		=====	=====

Notes to the accounts - pages 10 to 28.

Report of the auditors - page 28.

EM UK LIMITED

CONSOLIDATED LONG-TERM INSURANCE FUNDS
BALANCE SHEET - 30TH SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Assets of the long-term insurance funds comprise:			
INVESTMENTS AT VALUATION			
Listed securities		367,139	170,882
Unlisted securities		3,089	745
Unit trusts		375,998	473,863
Properties		164,705	35,774
Mortgages and loans		15,475	8,906
Deposits		71,491	26,139
		997,897	716,309
INVESTMENT IN SUBSIDIARY AND RELATED COMPANIES	10	8,101	-
CURRENT ASSETS			
Taxation recoverable		1,413	2,723
Amounts due from group companies		5,077	1,252
Amounts due from group companies in respect of investment settlements		2,030	5,091
Other amounts receivable	12	75,792	9,252
Bank balances		6,844	336
		91,156	18,654
Less:			
CURRENT LIABILITIES			
Policy applications in progress		1,436	576
Claims outstanding		4,492	1,556
Amounts due to group companies		5,367	4,760
Sundry creditors	19	52,419	5,134
Balances due to bankers		-	2
		63,714	12,028
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	18	20,390	395
		1,013,050	722,540
Represented by:			
CONSOLIDATED LONG-TERM INSURANCE FUNDS		1,013,050	722,540

Notes to the accounts - pages 10 to 28.

Report of the auditors - page 28.

BM UK LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH SEPTEMBER 1988
(EXCLUDING LONG-TERM INSURANCE BUSINESS)

	1988 £000	11 Months to 30.9.87 £000
SOURCE OF FUNDS		
FUNDS GENERATED FROM OPERATIONS		
Loss before taxation and extraordinary item	(10,629)	(7,531)
Extraordinary item	44,900	-
	<u>34,271</u>	<u>(7,531)</u>
Adjustment for items not involving the movement of funds:		
Depreciation of tangible fixed assets	1,518	667
Amortisation of purchased goodwill	6,258	6,160
(Increase)/Decrease in value of in-force long-term insurance business	(41,900)	3,469
Share of loss in associated company	111	-
	<u>258</u>	<u>2,765</u>
FUNDS FROM OTHER SOURCES		
Increase in issued share capital	-	35,000
Bank loans	-	61,000
Increase in Loan capital	1,600	76,408
Sale of tangible fixed assets	122	-
	<u>1,722</u>	<u>172,408</u>
	<u>1,980</u>	<u>175,173</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(2,648)	(1,012)
Purchase of subsidiary companies	-	(103,845)
Repayment of bank loans	-	(61,000)
Dividends paid to minority shareholders	-	(105)
Purchase of investments	(6,498)	(45)
Tax paid	(1,448)	(679)
Purchase of investment in associated company	(150)	-
	<u>(10,744)</u>	<u>(166,686)</u>
Movement in working capital	(3,640)	(2,194)
(DECREASE)/INCREASE IN NET LIQUID FUNDS	<u>(12,404)</u>	<u>6,293</u>
	<u>=====</u>	<u>=====</u>
(Decrease)/Increase in cash at bank and in hand	<u>(12,404)</u>	<u>6,293</u>
(DECREASE)/INCREASE IN NET LIQUID FUNDS	<u>(12,404)</u>	<u>6,293</u>
	<u>=====</u>	<u>=====</u>

Notes to the accounts - pages 10 to 28.

Report of the auditors - page 28.

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTSPrincipal Accounting Policies

1.(a)Basis of preparation;

(i)The consolidated accounts have been prepared in compliance with Sections 228 and 229 of, and Schedule 4 to, the Companies Act 1985 and no Profit and Loss Account is presented for NM UK Limited. The accounts of subsidiary companies are co-terminous with those of NM UK Limited. The information in the accounts relating to insurance subsidiaries is included on the basis applicable to such insurance companies under Schedule 9 to the Companies Act 1985.

(ii)The accounts have been prepared under the historical cost convention as modified in respect of the valuation of investments.

(iii)Loan Capital provided by the ultimate holding company and a fellow subsidiary effectively represents part of the shareholders' investment. It has therefore been grouped in the Balance Sheet with Capital and Reserves rather than in accordance with the requirements of Schedule 4 to the Companies Act 1985, in order to give a true and fair view of the group's state of affairs.

(iv)Assets held and liabilities incurred in a fiduciary capacity have been excluded from these accounts.

(v)The value of the in-force long-term insurance business is determined by the directors on the basis of independent actuarial advice and represents the present value of profits, net of tax, expected to emerge from the in-force long-term insurance business using a discount rate of 15%. Changes in the value are taken to the Consolidated Profit and Loss account each year.

(vi)The accounting policy for certain fixed assets has been changed in accordance with SSAP 21 whereby assets financed under leasing arrangements that provide rights approximating to ownership are capitalised at fair value. Obligations for future payments under the finance leases are included within creditors. Lease payments are apportioned between capital and interest elements, and the interest is charged to the Profit and Loss Account. The 1987 comparative figures have been restated accordingly.

(b)Basis of consolidation:

(i)The consolidated accounts include the assets, liabilities and results of the company and its subsidiary companies including the life assurance companies, but do not include subsidiaries of the long term insurance funds as, in the opinion of the directors, it would be misleading to do so.

(ii)Goodwill arising on consolidation is amortised at ten per cent per annum on a straight line basis.

(c)Revenue:

Management fees, investment fees, commission, other income and profits are credited to the Profit and Loss Account when due. In calculating the profit or loss on sales of unit trust units and shares in investment companies, cost of units and shares sold is arrived at using a first in first out basis.

(d)Expenses are charged against revenue as incurred.

(e)Commissions are charged against revenue on an earned basis.

AM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONT'D)

(f) Tangible fixed assets capitalised under finance leases are depreciated on a straight line basis, over the shorter of the lease term and their useful life.

Domestic furniture not capitalised under finance leases is depreciated at twenty percent per annum on a straight line basis, and all other tangible fixed assets are depreciated at twenty five per cent per annum on a straight line basis.

(g) Deferred taxation:

Deferred taxation is provided to take account of all differences in the taxation and accounting treatment of certain items where the liabilities are expected to crystallise.

(h) All income and expenditure of the long-term insurance funds, net of reinsurance where applicable, including all realised investment profits and losses, is shown in the Ordinary Long-term Insurance Revenue Account. Unrealised investment profits and losses arising in the long-term insurance funds are transferred to investment reserve, the balance on which is dealt with by transfer to or from the Ordinary Long-term Insurance Revenue Account.

(i) On the advice of the Actuary, surplus arising in the long-term insurance funds, disclosed by annual actuarial valuations carried out in accordance with Section 18 of the Insurance Companies Act 1982 is allocated by the directors, between policyholders and shareholders.

(j) Investments are valued as follows:

(i) Listed securities, unlisted securities and unit trusts are at market value.

(ii) Freehold and leasehold properties held outside the long-term insurance funds are at market values as determined by qualified valuers. Freehold and leasehold properties, held within the long-term insurance funds are valued in accordance with part V of Schedule 8 to the Insurance Companies Act 1982. Developments are at independent valuation or cost, whichever is the lower.

(iii) Mortgages, loans and deposits are at cost or estimated net realisable value in the ordinary course of business, whichever is the lower.

(k) Stocks of units and shares:

Stocks of units and shares are stated at the lower of cost and realisable value.

(l) Foreign currencies:

Income receivable and expenditure incurred in foreign currencies are translated into sterling at the average rate of exchange ruling during the month in which each transaction is incurred. Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Translation profits or losses are taken to investment reserve in the period to which they relate.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Revenue and Consolidated Trading Profit/(Loss)

2.(a) Revenue comprises net realised profits on sales and repurchases of units and shares together with fees for management services rendered and commission income.

The contributions of the various activities of the group to revenue and profit before taxation are set out below:

	<u>Revenue</u>		<u>Profit/(loss) before tax</u>	
	<u>1988</u> £000	<u>1987</u> £000	<u>1988</u> £000	<u>1987</u> £000
Unit trust management - UK	13,434	16,262	1,901	1,765
- Guernsey	1,890	2,437	(2,148)	514
Other financial services - UK	524	548	42	(17)
Management fees and other activities	39,583	32,374	(1,166)	(164)
Life assurance - UK	-	-	(3,100)	(3,400)
- Guernsey	-	-	100	(69)
Amortisation of goodwill	-	-	(6,258)	(6,160)
	<u>55,431</u>	<u>51,621</u>	<u>(10,629)</u>	<u>(7,531)</u>
	=====	=====	=====	=====

(b) The consolidated loss after taxation includes £235,000 profit (1987: Loss £3.2m) which has been dealt with in the accounts of NM UK Limited.

Administrative Expenses

3.(a) Administrative expenses are stated after charging:

	<u>1988</u> £000	<u>1987</u> £000
Auditors' remuneration	201	185
Depreciation of tangible fixed assets (excluding assets held under finance lease contracts)	630	163
Depreciation of tangible fixed assets held under finance lease contracts	888	537
Finance leases - hire of equipment and furniture	187	147
Operating leases - hire of other assets	1,577	1,445
Bonus payable to employees	1,335	2,964
Exceptional item [note 3(b)]	1,578	-
And after crediting:		
Gains on exchange	124	183

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(b)Exceptional Item

In the period from October, 1987 to March, 1988 the prices quoted in respect of certain classes of shares in the NM Portfolio Selection Fund Limited and units in the NM Hong Kong unit trust fund (being a fund company and a unit trust managed by NM Schroder Financial Management International Limited) did not reflect the underlying net asset values. As a result the prices at which shares and units were quoted, and dealt in, were generally higher than the true price. So as not to disadvantage investors who may have relied on the higher price NM Schroder Financial Management International Limited contributed £1,578,000 in total, into various share classes of the NM Portfolio Selection Fund Limited and the NM Hong Kong unit trust fund so as to enable the share and unit prices to be maintained at the higher level.

Directors' and Employees

4.(a)The total emoluments of the executive directors, including pension contributions and bonus payments, amounted to £632,000 (1987:£574,000).

Particulars of directors' total emoluments, including those received from other group companies, in accordance with Schedule 5 to the Companies Act 1985 are as follows:-

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Nil - £5,000	6	12
£5,001 - £10,000	5	-
£10,001 - £15,000	1	-
£15,001 - £20,000	1	-
£20,001 - £25,000	2	-
£25,001 - £30,000	2	-
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1

The total emoluments of the highest paid director, were £349,000 (1987:£553,000) and those of the Chairman £14,000 (1987:£Nil).

(b)Other than the above directors the company had no employees during the year, consequently the disclosure requirements of Schedule 5 Section 35(1) and (2) to the Companies Act 1985 do not apply.

(c)The average number of persons employed by the group (including the executive directors) during the year was 1,473 (1987:634).

Functional analysis:

Sales and marketing (excluding self-employed sales persons)	475	94
Administration and finance	998	540

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(d) Gross employment costs (including the executive directors) during the year amounted to:-

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Aggregate gross wages and salaries paid to the group's employees	10,597	6,149
Social security costs	1,078	639
Other pension costs	1,459	1,022
	<u>13,134</u>	<u>7,810</u>
	=====	=====

Share of Losses of Associated Company

5. The group's share of the loss of its associated company, National Mutual Investment Services Limited, amounted to £111,000 (1987:£Nil).

Taxation

6. Tax on profit/loss on ordinary activities comprises:

	<u>Profit and Loss Account</u>		<u>Long-term Insurance Revenue Account</u>	
	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Corporation tax	(98)	1,868	-	-
Deferred taxation	9	23	(3,455)	100
Taxation on franked income	216	740	1,084	599
Foreign withholding taxes on investment income	7	-	64	6
Double tax relief	(7)	-	-	-
Group relief	151	-	-	-
Adjustment in respect of prior years	20	24	(298)	(296)
	<u>298</u>	<u>2,655</u>	<u>(2,605)</u>	<u>409</u>
	=====	=====	=====	=====

The charge in the Profit and Loss Account in respect of corporation tax and the provision for deferred taxation has been calculated by reference to a rate of 35% (1987:35%).

The provision for deferred taxation in the Long-term Insurance Revenue Account has been calculated by reference to a taxation rate of 30% (1987:30%). The amount payable in respect of prior years has been calculated by reference to the corporation tax rates in-force at those dates.

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Extraordinary Item

7. The extraordinary item represents the value placed on the increase in free reserves within the valuation of the in-force long-term insurance business arising from the Scheme of reorganisation set out in Note 20.

Intangible Assets - Group

8. Intangible assets comprise:

	Valuation of in-force Long-term Insurance Business £000	Goodwill arising on consolidation £000	Total £000
Cost or Valuation:			
At 1st October, 1987	21,229	61,605	82,834
Prior year adjustment	-	98	98
As restated in the year	21,229	61,703	82,932
Increase in the year:			
Arising from ordinary activities	(3,000)	-	(3,000)
Extraordinary item (Note 7)	44,900	-	44,900
As at 30th September, 1988	63,129	61,703	124,832
Amortisation:			
At 1st October, 1987	-	6,160	6,160
Written off in the year to Profit and Loss Account	-	6,258	6,258
As at 30th September, 1988	-	12,418	12,418
Net book value as at 30th September, 1988	63,129	49,285	112,414
Net book value as at 30th September, 1987	21,229	55,543	76,772

The amount of £63m at which the valuation of the in-force long-term insurance business is stated is the value of the in-force long-term insurance business as determined by the directors on the basis of independent actuarial advice and represents the present value of profits, net of tax, expected to emerge from the in-force long-term insurance business, using a discount rate of 15% including free reserves expected to arise from the Scheme of reorganisation set out in Note 20, which have been credited to the Profit and Loss account as an Extraordinary item (Note 7).

Goodwill arising on consolidation is being amortised over a ten year period. In the opinion of the directors this period most closely matches the emergence of profits arising from the existing business portfolios of the subsidiary companies.

The prior year adjustment relates to the change in accounting policy described in Note 1(vi) which affected the pre-acquisition profits of a subsidiary company.

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Tangible Fixed Assets - Group

9. (a) Movements in motor vehicles, furniture, fittings, and office machinery were as follows:

	<u>Motor Vehicles</u> £000	<u>Furniture, Fittings & Office Machinery</u> £000	<u>Total</u> £000
Cost:			
At 1st October, 1987	77	4,355	4,432
Additions in year	370	2,197	2,567
Disposals in year	(112)	(10)	(122)
	---	---	---
At 30th September, 1988	335	6,542	6,877
	===	=====	=====
Depreciation:			
At 1st October, 1987	(36)	(1,619)	(1,655)
Charge for year	(86)	(1,443)	(1,529)
Disposals in year	9	2	11
	---	---	---
At 30th September, 1988	(113)	(3,060)	(3,173)
	===	=====	=====
Net book value at 30th September, 1988	222	3,482*	3,704
	===	=====	=====
Net book value at 30th September, 1987	41	2,736	2,777
	===	=====	=====

*Of this total, £1,570,000 (1987:£1,942,000) relates to computer equipment held under finance lease contracts, and £411,000 (1987:£221,000) relates to domestic furniture held under finance lease contracts. The 1987 comparative figures have been restated to show the effect of the change in accounting policy described in Note 1(vi).

(b) Movements in freehold and leasehold properties, not held as investments, were as follows:

	<u>Freehold Property</u> £000	<u>Leasehold Property (Long Lease)</u> £000	<u>Total</u> £000
At 1st October, 1987	-	41	41
Additions in year	81	-	81
Revaluation reserve	4	16	20
	---	---	---
At 30th September, 1988	85	57	142
	===	===	===

Property is stated at valuation. The valuation was completed by suitably qualified staff from within the NM UK group. Any surplus or deficit arising on valuation is taken to the Revaluation Reserve.

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Investment in Subsidiaries - Company

10.(a) The following information is given in respect of companies the shares of which are either directly or indirectly owned by NM UK Limited whose activities include life assurance, and pension products, unit trusts, domestic mortgage lending, portfolio management and financial and tax planning services. The companies listed are all wholly owned and their share capital comprises ordinary shares and preference shares. The list does not include those subsidiaries, which in the opinion of the directors, do not principally affect the amount of profit and loss or the assets of the group:-

Registered in England

NM Schroder Financial Management Limited
 SFM Holdings Limited*
 NM Schroder Life Assurance Limited*
 NM Schroder Unit Trust Managers Limited*
 NM Schroder Financial Services Limited*
 NM Home Loans Limited **
 NM Investment Management Limited **

Registered in Guernsey

NM Schroder Financial Management International Limited*
 NM Schroder Life Assurance International Limited*

*Indirectly owned

**Investments of the Long-term Insurance Fund of NM Schroder Life Assurance Limited

Extracts of the Audited accounts of NM Home Loans Limited and NM Investment Management Limited are shown in notes 22 and 23 respectively.

(b) Investments in subsidiary companies, excluding the subsidiaries which are assets of the Long-term Insurance Funds comprise:

	Shares £000	Subordinated Loans £000	Total £000
At 1st October, 1987	13,845	90,000	103,845
Increase in investment in year	-	3,000	3,000
	=====	=====	=====
At 30th September, 1988	13,845	93,000	106,845
	=====	=====	=====

On the 7th October, 1987 the company provided a £3m fully subordinated loan, repayable on notice of one year and one day to NM Schroder Financial Management Limited. The loan was made for the purposes of supplementing the company's working capital.

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(c) Investments in subsidiary and related companies which are assets of the Long-term Insurance Funds comprise:

	<u>Note</u>	<u>Shares</u> <u>£000</u>	<u>Loans</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Increases in investments in year				
NM Investment Management Limited	(i&ii)	2,000	-	2,000
NM Schroder Financial Management Limited	(iii)	-	1,600	1,600
NM Home Loans Limited	(iv & v)	4,500	-	4,500
NMLA Nominees (UK) Nominees Limited	(vi)	1	-	1
At 30th September, 1988		6,501	1,600	8,101
		=====	=====	=====

(i) On 22nd February, 1988 NM Schroder Life Assurance Limited subscribed to an issue by NM Investment Management Limited of 2,000,000 ordinary shares of £1 each partly paid as to 12.5p of the nominal value for a cash consideration of £250,000.

(ii) On 12th May, 1988 NM Schroder Life Assurance Limited received a call from NM Investment Management Limited for the remaining 87.5p of the 2,000,000 ordinary shares of £1 each and which was subsequently paid in full for a cash consideration of £1,750,000.

(iii) On 8th August, 1988 NM Schroder Life Assurance Limited made available loan facilities of £3,000,000 to NM Schroder Financial Management Limited, that company's intermediate holding company. The facility is repayable on 30th September, 1998 or on demand at an interest rate of 1% above the National Westminster Bank plc base lending rate. As at 30th September, 1988 £1,600,000 had been drawn down under the facility.

(iv) On 30th September, 1988 NM Schroder Life Assurance Limited acquired the beneficial ownership of the whole of the issued share capital of NM Home Loans Limited and NMLA Nominees (UK) Limited from The National Mutual Life Association of Australasia Limited as part of the assets transferred to the NM Schroder Life Assurance Limited in accordance with the terms of the Scheme referred to in Note 19.

(v) The issued share capital of NM Home Loans Limited comprised 671,053 ordinary shares of £1 each fully paid and 6,578,950 ordinary shares of £1 each partly paid as to 5p of the nominal value. NM Home Loans Limited had agreed to call up the outstanding call on 2,631,580 ordinary shares of £1 each prior to the transfer but was unable to do so as it was not possible for NM Home Loans Limited to complete the documentation before 30th September, 1988. Accordingly The National Mutual Life Association of Australasia Limited indemnified NM Schroder Life Assurance Limited from any liability in respect of the call by reducing the transfer value by the amount of the outstanding call. NM Home Loans Limited had been valued by the directors of The National Mutual Life Association of Australasia Limited at £4.5m immediately prior to the transfer of the shares to NM Schroder Life Assurance Limited. The valuation, which includes the proceeds of the call represents the carrying value in the accounts of the company.

(vi) The issued share capital of NMLA Nominees (UK) Limited comprised 1,000 ordinary shares of £1 each fully paid at par.

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONT)Associated Company - Group

11. On 3rd November, 1987 the group acquired 490 ordinary shares of HK\$1 each fully paid up at par in National Mutual Investment Services Limited being 49% of the issued share capital of that company.

On 30th September, 1988 the group subscribed for HK\$1,470,000 Floating Rate Subordinated Loan Stock issued by National Mutual Investment Services Limited. The loan stock is unsecured and redeemable at par on 3rd November, 1990 or at a later date if agreed by the loan stock holder and is fully subordinated to the rights of all other present and future creditors of the company.

At 30th September, 1988 the group's investment in National Mutual Investment Services Limited comprised:

	1988 £000
Additions in year - shares	37
- loan stocks	113

	150
Less share of losses	(111)

At 30th September, 1988	39
	=====

Investments

12. Movement in the year comprises:

	Listed U.K. Securities £'000	Unit Trusts £'000	Freehold Property £'000	Deposits £'000	Total £000
<u>Group</u>					
At 1st October, 1987	2,377	127	2,644	-	5,148
Net Movements in year	326	58	(728)	6,842	6,498
	-----	---	-----	-----	-----
At 30th September, 1988	2,703	185	1,916	6,842	11,646
	=====	===	=====	=====	=====

Company

	Listed U.K. Securities £000
At 1st October, 1987	10
Net movement in year	-

At 30th September, 1988	10
	=====

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Debtors

13.(a) Debtors, other than those relating to the Long-term Insurance Funds, comprise:

	<u>Group</u>		<u>Company</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:				
Trade debtors	6,094	16,065	-	-
Amounts due from group companies	6,440	6,227	196	-
Amounts due from associated companies	8	-	-	-
Amounts due from trustees and managed companies	3,083	3,431	-	-
Taxation recoverable	2,379	2,140	1,220	1,219
Other debtors	1,705	1,335	-	-
Prepayments	291	-	11	16
Advances of commission	4,089	2,722	-	-
	<u>24,089</u>	<u>31,920</u>	<u>1,427</u>	<u>1,235</u>
Amounts falling due after one year:				
Advances of commission	1,446	448	-	-
	<u>25,535</u>	<u>32,368</u>	<u>1,427</u>	<u>1,235</u>
	=====	=====	=====	=====

(b) Debtors relating to the Long-term Insurance Funds comprise:

	<u>1988</u>	<u>1987</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade debtors	71,561	3,284
Other debtors	4,231	5,968
	<u>75,792</u>	<u>9,252</u>
	=====	=====

Share Capital

14. Called up share capital comprises:	<u>£000</u>	<u>£000</u>
Authorised, allotted, called up and fully paid 35,000,100 ordinary shares of £1 each	35,000	35,000
	=====	=====

Revaluation Reserve - Group

15. Revaluation reserve comprises:	<u>1988</u>	<u>1987</u>
	<u>£000</u>	<u>£000</u>
Balance brought forward	-	-
Transfer from Profit and Loss Account	12	-
Revaluation surplus in year	20	-
	<u>32</u>	<u>-</u>
	=====	=====

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Reserves

16. Reserves comprise:

	<u>Profit & Loss</u> <u>Account</u>		<u>Non-Distributable</u> <u>Reserves</u>		<u>Total</u>	
	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Balance brought forward, as previously stated	(12,913)	-	2,660	-	(10,253)	-
Prior year adjustment	(38)	-	-	-	(38)	-
At 1st October, 1987	(12,951)	-	2,660	-	(10,291)	-
Arising in year:						
Profit/(loss) for the year	33,973	(10,186)	-	-	33,973	(10,186)
Capital contribution (Note 20)	51,039	-	-	-	51,039	-
Transfer to/(from) Profit and Loss Account, (from)/to Non-Distributable reserves	868	(2,660)	(868)	2,660	-	-
Transfer to Long-term Insurance Funds (Note 20)	(51,039)	-	-	-	(51,039)	-
Transfer to Revaluation Reserve	(12)	-	-	-	(12)	-
Minority Interest	-	(105)	-	-	-	(105)
At 30th September, 1988	21,878	(12,951)	1,792	2,660	23,670	(10,291)

The prior year adjustment relates to a change in accounting policy for finance leases. Payments due under finance lease contracts, which were previously charged to the Profit and Loss Account when incurred, have been capitalised in the Balance Sheet. Depreciation on the asset value, and the interest element of lease payments, are charged to the Profit and Loss Account.

Loan Capital

	<u>Group</u>		<u>Company</u>	
	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
17. Loan capital comprises:				
Loan from ultimate holding company	14,000	14,000	14,000	14,000
Loan from fellow subsidiary company	64,008	62,408	62,408	62,408
	78,008	76,408	76,408	76,408

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

The loans from the ultimate holding company and fellow subsidiary company are fully subordinated to the rights of all other present and future creditors of the company and are unsecured and interest free and are repayable on notice from the lender of one year and one day.

Deferred Taxation

18(a) The full potential provision for deferred taxation, other than the provision relating to the Long-term Insurance Funds, all of which is provided in these accounts comprises:

	<u>Group</u>		<u>Company</u>	
	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
As at 1st October	23	-	-	-
Increase in year	9	23	-	-
	----	----	----	----
As at 30th September	32	23	-	-
	=====	=====	=====	=====

(b) The provision for deferred taxation within the Long-term Insurance Fund relates mainly to accrued investment income and unrealised appreciation in the value of investments relating to non linked business calculated by reference to a taxation rate of 30% and comprises:

	<u>£000</u>
At 1st October, 1987	395
Provision established on transfer of business on 31 March, 1988	23,450
Transfers in the year to the Ordinary Long-term Business Revenue Account	(3,455)

At 30th September, 1988	20,390
	=====

Creditors

19.(a) Creditors, other than those relating to the Long-term Insurance Funds, comprise:

	<u>Group</u>		<u>Company</u>	
	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
Amounts falling due within one year:				
Bank overdraft	618	195	-	-
Trade creditors	11,162	12,143	-	-
Amounts due to group companies:				
Group relief	475	277	-	-
Other amounts	5,529	7,837	74	147
Obligations under finance leases	901	780	-	-
Corporation tax	1,481	1,839	-	-
Advance Corporation Tax	-	760	-	-
Taxation and social security payable	255	680	-	-
Other creditors	2,141	751	-	-
Amounts due to trustees	1,926	10,899	-	-
Accruals	3,950	3,702	996	985
	-----	-----	-----	-----
	28,438	39,863	1,070	1,132
	=====	=====	=====	=====

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONT'D)

	<u>Group</u>		<u>Company</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts falling due after one year:				
Obligations under finance leases				
payable between 1st October, 1989				
and 30th September, 1993	1,228	1,519	-	-
	=====	=====	===	===
(b) Creditors relating to the Long-term Insurance Funds comprise:				
Amounts falling due within one year:				
Trade creditors	47,302	4,073	-	-
Other creditors	5,117	1,061	-	-
	-----	-----	===	===
	52,419	5,134	-	-
	=====	=====	===	===

Reorganisation of The National Mutual Life Association of Australasia's United Kingdom Business Activities

20. Under a Scheme pursuant to Sections 49 and 50 of the Insurance Companies Act 1982 approved by the High Court on 23rd March, 1988 and which became effective on 31st March, 1988 the whole of the United Kingdom long-term insurance business of The National Mutual Life Association of Australasia Limited, was transferred to NM Schroder Life Assurance Limited. The purpose of the Scheme was to provide the United Kingdom operation with increased financial flexibility and to create economies of scale to enhance overall efficiency.

In accordance with the terms of the Scheme, and in order to enable NM Schroder Life Assurance Limited to develop and expand its business, The National Mutual Life Association of Australasia Limited, recapitalised that company by making a capital contribution of £51m to that company on 31st March, 1988.

In accordance with the terms of the Scheme, the company transferred an amount of £51m to the ordinary Long-term Insurance Revenue Account. In addition the Scheme provides that assets representing the amount transferred to the Ordinary Long-term Insurance Revenue Account will remain within the Ordinary Long-term Insurance Fund until 1st April, 1993 and can only be transferred out of the Ordinary Long-term Insurance Fund on, or after that date, with the agreement of the Actuary.

Capital Commitments

21.(a) At 30th September, 1988 the group had the following commitments for future capital expenditure on properties to be held within the Long-term Insurance Fund, for which no provision has been made in the accounts:

	<u>1988</u>
	<u>£000</u>
Authorised and contracted for	1,416
Authorised but not contracted for	2,254
	=====

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(b) At 30th September, 1988 the group had annual commitments under non-cancellable operating leases for which no provision has been made in the accounts as follows:

	<u>Property</u> <u>£000</u>	<u>Other</u> <u>£000</u>
Operating leases which expire:		
within the year ending 30th September, 1989	4	287
between 1st October, 1989		
and 30th September, 1993	48	715
after 30th September, 1993	526	-

Extracts of the Audited Accounts of NM Home Loans Limited. (NM Home Loans Limited is a wholly-owned investment of the Consolidated Long-term Insurance Funds)

22.(a) Profit and Loss Account

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>11.3.87 to</u> <u>30.9.87</u> <u>£000</u>
Interest receivable			
Mortgages		9,946	-
Other		65	-
		<u>10,011</u>	<u>-</u>
Interest payable and similar charges	(1)	(8,877)	-
		<u>1,134</u>	<u>-</u>
Other operating income		115	2
		<u>1,249</u>	<u>2</u>
Administrative expenses		(1,656)	(89)
		<u>(407)</u>	<u>(87)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		<u>=====</u>	<u>=====</u>

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Extracts of the Audited Accounts of NM Home Loans Limited (Contd)

(b) Balance Sheet

		<u>1988</u> £000	<u>1987</u> £000
FIXED ASSETS			
INVESTMENTS			
Mortgages on residential properties	(ii)	146,580	-
CURRENT ASSETS			
Debtors		2,518	2
Cash at bank and in hand		9,401	250
		11,919	252
		-----	----
		158,499	252
		=====	=====
CAPITAL AND RESERVES			
Called up share capital		3,500	250
Profit and loss account		(494)	(87)
		-----	----
		3,006	163
CREDITORS			
Amounts falling due within one year		3,493	89
Medium term financing arrangements	(iii)	152,000	-
		155,493	89
		-----	----
		158,499	252
		=====	=====

(c) Notes to the Accounts

Interest Payable and Similar Charges

(i) Interest payable comprises interest on bank overdrafts and on financing agreements provided for the purpose of funding the company's secured mortgage portfolio, as follows:

	<u>1988</u> £000
Bank overdrafts	405
Financing agreements:	
Repayable within 5 years, not by instalments	350
Repayable in more than 5 years, not by instalments	8,122

	8,877
	=====

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Extracts of the Audited Accounts of NM Home Loans Limited (Contd)Mortgages on Residential Properties

(ii)	£000
Cost at 1st October, 1987	-
Mortgage advances	153,296
Mortgage capitalisations	2,024
Redemptions and repayments	(8,740)
	<hr/>
Cost at 30th September, 1988	146,580
	<hr/>

Mortgages on residential properties and other investments are included on the balance Sheet at cost or estimated net realisable value, in the ordinary course of business, whichever is the lower.

Medium-term Finance Arrangements

(iii) On 26th November, 1987 and 13th April, 1988 the company entered into medium term loan facilities for £100m and £150m respectively arranged through the London Syndication Market for the purpose of funding its secured mortgage portfolio. Interest on the facilities is charged at rates linked to the London Interbank Offered Rate. At 30th September, 1988 £152m had been drawn down under these facilities.

Capital Commitments

(iv)(a) Commitments at the balance sheet date in respect of mortgages on residential properties for which no provision has been made in the accounts are as follows:-

	<u>1988</u>	<u>1987</u>
	<u>£000</u>	<u>£000</u>
Offered awaiting acceptance by borrower	2,247	669
Offered and accepted by borrower awaiting completion	6,794	160
Mortgage retentions and reserved advances	2,122	-

(b) At 30th September, 1988 the company had received further applications for mortgages amounting to approximately £4m (1987:24m).

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Extracts of the Audited Accounts of NM Investment Management Limited.
(NM Investment Management Limited is a wholly-owned investment of the
Consolidated Long-term Insurance Funds)

23.(a) Profit and Loss Account

	<u>1988</u>
	<u>£000</u>
TURNOVER	880
Administrative expenses	(1,462)
	<u>(582)</u>
Interest receivable and similar income	81
	<u>-----</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(501)
TAX on loss on ordinary activities	152
	<u>-----</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(349)
	<u>=====</u>

(b) Balance Sheet

	<u>1988</u>
	<u>£000</u>
CURRENT ASSETS	
Debtors	1,006
Cash at bank and in hand	2,137
	<u>-----</u>
	3,143
	<u>=====</u>
CAPITAL AND RESERVES	
Called up share capital	2,000
Profit and loss account	(349)
	<u>-----</u>
	1,651
CREDITORS	
Amounts falling due within one year	1,492
	<u>-----</u>
	3,143
	<u>=====</u>

NM UK LIMITEDNOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)Ultimate Holding Company

24. The company's ultimate holding company is The National Mutual Life Association of Australasia Limited, a company registered in Australia,

REPORT OF THE AUDITORS TO THE MEMBERS OF NM UK LIMITED

We have audited the accounts on pages 4 to 28 in accordance with approved Auditing Standards.

In our opinion the balance sheet of the company gives a true and fair view of the state of affairs of the company at 30th September, 1988 and complies with the Companies Act 1985 and the consolidated accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.

20th December, 1988
Southampton

Deirdre Ashin
DELOITTE HASKINS & SELLS
Chartered Accountants

2054153

AM & S Limited

Report and Accounts - 30th September 1983

NM UK LIMITED

REPORT OF THE DIRECTORS

Principal Activity

1. The company's principal activity is to act as the United Kingdom holding company for The National Mutual Life Association of Australasia Limited, the company's ultimate holding company. The principal activities of the company's subsidiaries are the promotion of financial management services and products within the United Kingdom and overseas, including life assurance and pension products, unit trusts, portfolio management and financial and tax planning services.

Investment in Subsidiary

2. On 7th October, 1987 the company provided a loan of £3,060,000 to NM Schroder Financial Management Limited, a wholly owned subsidiary company. The loan is unsecured, interest free and repayable on notice from the lender of one year and one day.

Results and Business Review

3. The results for the year ended 30th September, 1988 are shown in the Profit and Loss Account on page 3. The company does not actively trade, and its principal income has comprised dividend income from subsidiary companies and deposit interest.

The directors consider these results to be acceptable and they expect the company to continue to develop in the future.

Dividends

4. The directors do not recommend the payment of a dividend for the year ended 30th September, 1988.

Directors and Directors' Interests

5. The directors of the company as at 30th September 1988 were:

The Hon E.L. Baillieu (Chairman)	
Mr R.W. Taylor	(Managing Director)
The Hon N. Assheton	
Mr W. Beatty	
Mr A.J. Duggin	
Mr N.R. Dunseath	(appointed 25th April, 1988)
Mr C.M.J. Eldridge	(appointed 28th March, 1988)
Mr P.J. Gaynor	(appointed 22nd February, 1988)
Mr J. Kent	(appointed 1st October, 1987)
Mr D Kirby	(appointed 22nd February, 1988)
Mr G.W. Mallinckrodt	
Mr E.A. Mayer	
Mr I.G. Sampson	(appointed 25th April, 1988)
Mr I.P. Sedgwick	
(alternate for Mr G.W. Mallinckrodt)	
Mr C.H. Starr	(appointed 25th April, 1988)
Mr D.J. Stewart	(appointed 25th April, 1988)

NM UK LIMITEDREPORT OF THE DIRECTORS (CONT'D)

Mr E.M.P. Welman resigned as Chairman of the company on 1st October, 1987 and director of the company on 31st December, 1987. The Hon E.L. Baillieu was appointed Chairman of the company on 1st October, 1987. Dr A.J. Leaper resigned as director and managing director of the company on 31st January, 1988 on which date Mr R.W. Taylor was appointed managing director in his place.

During the year ended 30th September, 1988 no director had any interest in shares in, or debentures of, the company or any other group company. Under the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 the directors are exempt from disclosing any interest in group companies registered outside Great Britain.

Employee Involvement

6. The company does not employ staff on its own account. All employees are employed by NM Schroder Financial Management Limited in Great Britain and NM Schroder Financial Management International Limited in Guernsey.

The company and its subsidiaries maintains formal communication channels and whenever possible informs relevant employees in respect of matters with which they are concerned and in relation to the financial affairs of the company and its subsidiaries. Opinions of the employees are also sought when making decisions which are likely to affect their interests.

Financial and economic factors affecting the performance of the company and its subsidiaries are set out in these accounts which are made available to all employees.

It is the company and its subsidiaries' policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Where possible, members of staff who become disabled are retained in employment and the company is willing to arrange appropriate training. Subject to their aptitude, disabled staff are treated on equal terms with other employees in respect of training, career development and promotion.

Auditors

7. A resolution to reappoint the auditors Deloitte Haskins & Sells will be proposed at the Annual General Meeting.

15th November, 1988
NM House
Seldown
Poole
Dorset
BH15 1TD

BY ORDER OF THE BOARD

J.L. Keith
Secretary

NM UK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>10.9.86 to</u> <u>30.9.87</u> <u>£000</u>
Income from shares in subsidiary companies		196	1,753
Income from other fixed asset investments	4	1	1
		197	1,754
Other interest receivable and similar income		114	42
		311	1,796
Administrative expenses	2	(76)	(390)
		235	1,406
Interest payable and similar charges	5	-	(4,583)
		235	(3,177)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		235	(3,177)
TAX on profit/(loss) on ordinary activities	6	-	-
		235	(3,177)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		235	(3,177)
LOSS BROUGHT FORWARD		(3,177)	-
LOSS CARRIED FORWARD		(2,942)	(3,177)



Notes to the Accounts - pages 6 to 9.

Report of the auditors - page 9.

NM UK LIMITED

BALANCE SHEET - 30 SEPTEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
FIXED ASSETS			
Investment in Subsidiaries	7		
Life assurance subsidiary		5,000	5,000
Other subsidiaries		101,845	98,845
		<u>106,845</u>	<u>103,845</u>
Other investments	8	10	10
		<u>106,855</u>	<u>103,855</u>
CURRENT ASSETS			
Debtors	9	1,427	1,235
Cash at bank and in hand		1,254	4,273
		<u>2,681</u>	<u>5,508</u>
		<u>109,536</u>	<u>109,363</u>
CAPITAL AND RESERVES			
Called up share capital	10	35,000	35,000
Reserves	11	(2,942)	(3,177)
		<u>32,058</u>	<u>31,823</u>
LOAN CAPITAL	12	76,408	76,408
		<u>108,566</u>	<u>108,231</u>
CREDITORS	13	1,070	1,132
		<u>109,536</u>	<u>109,363</u>


) Directors
 15th November, 1988

Notes to the Accounts - pages 6 to 9.

Report of the auditors - page 9.

NM UK LIMITED

SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH SEPTEMBER 1988

	1988 £000	10.9.86 to 30.9.87 £000
SOURCE OF FUNDS		
FUNDS GENERATED/(ABSORBED) BY OPERATIONS		
Profit/(Loss) on ordinary activities before taxation	235	(3,177)
FUNDS FROM OTHER SOURCES		
Increase in issued share capital	-	35,000
Bank loans	-	61,000
Loan capital from ultimate holding company	-	14,000
Loan capital from a fellow subsidiary company	-	62,408
	-	172,408
	235	169,231
APPLICATION OF FUNDS		
Purchase of fixed asset investment	-	(10)
Repayment of bank loans	-	(61,000)
Investment in subsidiary companies	(3,000)	(103,845)
	(3,000)	(164,855)
INCREASE IN WORKING CAPITAL		
Decrease/(increase) in debtors	4	(1,235)
Increase in creditors	11	985
Net movement in group balances	(269)	147
	(254)	(103)
(DECREASE)/INCREASE IN NET LIQUID FUNDS	(3,019)	4,273
(Decrease)/Increase in cash at bank and in hand	(3,019)	4,273
(DECREASE)/INCREASE IN NET LIQUID FUNDS	(3,019)	4,273

Notes to the accounts - pages 6 to 9.

Report of the auditors - page 9.

NM UK LIMITED

NOTES TO THE ACCOUNTS

Principal Accounting Policies

1.(a)Basis of preparation:

(i)The accounts have been prepared under the historical cost convention modified in respect of certain assets which have been included at a valuation.

(ii)Loan capital provided by the ultimate holding company and a fellow subsidiary effectively represents part of the shareholders' investment. It has therefore been shown in the Balance Sheet with Capital and Reserves rather than in accordance with the requirements of Schedule 4 to the Companies Act, 1985 in order to give a true and fair view of the company's state of affairs.

(b)Income is credited to the Profit and Loss Account when due.

(c)Expenses are charged against revenue as incurred.

<u>Administrative Expenses</u>	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
--------------------------------	----------------------------	----------------------------

2. Administrative expenses are stated after charging:-

Auditors' remuneration	11	12
Capital duty on issue of Ordinary Share Capital	-	350

Directors' and Employees

3.(a)The total emoluments of the directors', for their services as directors, amounted to £65,000.

Particulars of directors' total emoluments in accordance with Schedule 5 to the Companies Act 1985, are as follows:

	<u>1988</u> <u>Number</u>	<u>1987</u> <u>Number</u>
Nil - £ 5,000	11	13
£ 5,001 - £10,000	5	-
£10,001 - £15,000	2	-

The total emoluments of the Chairman were £13,750 (1987:£Nil), and those of the highest paid director £15,000 (1987:£Nil).

(b)The company had no employees during the year, consequently the disclosure requirements of Schedule 5 Section 35(1) and (2) do not apply.

Income from Other Fixed Asset Investments

	<u>£000</u>	<u>£000</u>
4. Income receivable from listed investments	1	1
	====	====

Interest Payable and Similar Charges

5. Interest payable on bank loans	-	4,583
	====	=====

Tax on Profit on Ordinary Activities

6. There is no charge to United Kingdom corporation tax for the year ended 30th September, 1988 (1987:£Nil).

2

NM UK LIMITED

NOTES TO THE ACCOUNTS (CONTD)

Investment in Subsidiaries

7.(a) Movement in subsidiary companies comprises:

	Shares £000	Subordinated	Total £000
		Loans £000	
At 1st October, 1987	13,845	90,000	103,845
Increase in year	-	3,000	3,000
At 30th September, 1988	13,845	93,000	106,845

(b) On the 7th October, 1987 the company provided a loan of £3,000,000 to NM Schroder Financial Management Limited, a wholly owned subsidiary company. The loan is fully subordinated, unsecured and interest free and repayable on notice of one year and one day.

(c) The following information is given in respect of companies the shares of which are either directly or indirectly owned by NM UK Limited whose activities include life assurance, unit trust and investment management, residential mortgages and the provision of financial services. The companies listed are all wholly owned and their share capital comprises ordinary and preference shares.

Registered in England

NM Schroder Financial Management Limited
NM Schroder Life Assurance Limited
NM Schroder Unit Trust Managers Limited
NM Schroder Financial Services Limited
NM Investment Management Limited
NM Home Loans Limited

Registered in Guernsey

NM Schroder Financial Management International Limited
NM Schroder Life Assurance International Limited

Other Investments

8. Other investments, which are stated at market value, comprise a holding of British government securities, issued on The Stock Exchange, with a cost of £9,817.

Debtors

9. Amounts falling due within one year:	1988	1987
	£000	£000
Amounts due from group companies:		
Subsidiary company	196	-
Taxation recoverable	1,220	1,219
Prepayments and accrued income	11	16
	1,427	1,235

NM UK LIMITEDNOTES TO THE ACCOUNTS (CONTD)Share Capital

	<u>1988</u> <u>£000</u>	<u>1987</u> <u>£000</u>
10. Called up share capital comprises:		
Authorised, allotted, called up and fully paid:		
35,000,100 ordinary shares of £1 each	<u>35,000</u>	<u>35,000</u>

Reserves

11. The balance on reserves comprises deficit brought forward of £3,176,968 less profit arising in the year of £235,488.

Loan Capital

12. Loan capital comprises:

Loan from ultimate holding company	14,000	14,000
Loan from fellow subsidiary company	<u>62,408</u>	<u>62,408</u>
	<u>76,408</u>	<u>76,408</u>
	=====	=====

The loans from the ultimate holding company and fellow subsidiary company are fully subordinated to the rights of all other present and future creditors of the company and are unsecured, interest free and repayable on notice from the lender of one year and one day.

Creditors

13. Amounts falling due within one year:

Amounts due to group companies:		
Ultimate holding company	-	86
Subsidiary companies	<u>74</u>	<u>61</u>
Accruals	<u>996</u>	<u>985</u>
	<u>1,070</u>	<u>1,132</u>
	=====	=====

Contingent Liabilities and Capital Commitments

14.(a) The company has received an indemnity from Schroders plc in respect of liabilities which may arise in respect of events which occurred before the company acquired the Schroder Financial Management Limited group of companies on 17th December, 1986.

(b) At 30th September, 1988 the company had no other contingent liabilities (1987:£Nil) or capital commitments (1987:£Nil).

NM UK LIMITED

NOTES TO THE ACCOUNTS (CONTD)

Ultimate Holding Company

15. The company's ultimate holding company is The National Mutual Life Association of Australasia Limited, a company registered in Australia.

REPORT OF THE AUDITORS TO THE DIRECTORS

We have audited the accounts set out in pages 3 to 9 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 30th September, 1988 and of the profit and source and application of funds for the year ended on that date.

Deloitte Haskins & Sells

15th November, 1988
Southampton

DELOITTE HASKINS & SELLS
Chartered Accountants