

Registered number  
3061140

Quilter Holdings Limited and its Group of Companies  
Report and Accounts  
for the year ended 31 December 2000



**Quilter Holdings Limited and its Group of Companies**  
**Report and accounts**  
**for the year ended 31 December 2000**  
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## **Quilter Holdings Limited and its Group of Companies**

### **Company Information**

#### **Secretary**

CGNU Company Secretarial Services Limited  
St Helen's  
1 Undershaft  
London EC3P 3DQ

#### **Auditors**

PricewaterhouseCoopers  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

#### **Bankers**

Bank of Scotland  
Teviot House  
41 South Gyle Crescent  
Edinburgh EH12 9BF

#### **Solicitors**

S J Berwin and Co  
222 Grays Inn Road  
London WC1X 8HB

#### **Registered office**

St Helen's  
1 Undershaft  
London EC3P 3DQ

#### **Registered number**

3061140

**Quilter Holdings Limited and its Group of Companies**  
**Directors' Report**  
**for the year ended 31 December 2000**

The directors present their report and accounts for the Company, together with the Consolidated Accounts of its Group, for the year ended 31 December 2000.

**Principal activities and review of the business**

The principal activities of the Company have not changed during the year and the Company continues to be a holding company. The directors consider that the Group's activities, comprising stockbroking and fund management, will continue unchanged in the foreseeable future.

**Results and dividend**

The results for the year are shown on page 8 and arise from continuing operations. The directors do not recommend the payment of any dividend for the year in respect of the ordinary shares (1999: £nil).

On 31 March 2000 a dividend of £417,690 was paid in respect of dividends due for the period ending 31 March 2000 on the 7% Cumulative Preference Shares. On 29 September 2000 a further dividend of £417,690 was paid in respect of dividends due for the period ending 30 September 2000 on the 7% Cumulative Preference Shares.

**Directors**

The directors who served during the year were:

Mr B Catchpole  
Mr A H Clifton (Chairman)  
Mr A Dromer  
Mr P Guidone - appointed 9 October 2000, resigned 31 January 2001  
Mrs Keller-Griesmar - resigned 9 October 2000  
Mr P J Twyman  
Mr W O F Wallis  
Mr A B Wyand

**Audit Committee**

The Audit Committee comprises three directors appointed by the Board as follows:

Mr A Dromer  
Mr W O F Wallis  
Mr A B Wyand

The Audit Committee reviews the Group's annual results, the effectiveness of its system of internal financial control, internal audit procedures and compliance with regulations and statutes. The Audit Committee also reviews the scope of work carried out by the Company's external and internal auditors.

**Quilter Holdings Limited and its Group of Companies**  
**Directors' Report**  
**for the year ended 31 December 2000**

**Directors' Interests**

The directors of the Company who held office at 31 December 2000 had the following interests in the shares of CGNU Group Companies:

CGNU plc (the ultimate holding company)

Ordinary Shares of 25p each

	At 1 January 2000 (or on appointment, if later)		31 December 2000			
	Shares	Share Options	Options granted during the year	Options exercised during the year	Shares	Share Options
Mr B Catchpole	2,750	52,034	-	20,882	21,000	31,152
Mr A H Clifton	19,345	206,725	-	116,011	133,157	90,714
Mr A Dromer	-	-	-	-	-	-
Mr W O F Wallis	3,304	-	-	-	6,046	-

Mr Twyman and Mr Wyand are directors of the Company's ultimate holding company, CGNU plc, and details of their interests are given in that Company's accounts. At 31 December 2000, Mr Clifton also held nil cost options over 4,923 shares under the Commercial Union Long Term Incentive Plan. These options normally become capable of exercise on various dates between 1999 and 2004, subject to satisfying specified performance criteria.

In addition, Mr. Clifton was granted a restricted award over 29,932 CGNU shares under the CGU plc Integration Incentive Plan. Under the plan awards become capable of vesting on 27 February 2001 depending upon the achievement of specified performance criteria.

On 14 May 1999, Mr Clifton was granted awards over 5,892 shares respectively under the CGU plc Deferred Bonus Plan.

On 31 March 2000, Mr Clifton was granted awards over 7,007 shares respectively under the CGNU plc Deferred Bonus Plan.

Two of the directors exercised share options in relation to shares in CGNU plc during the year.

Quilter Holdings Limited (the parent company)

Ordinary and Management Shares of 1p each

	1 January 2000 (or on appointment, if later)		31 December 2000	
	Ordinary Shares	Management Shares	Ordinary Shares	Management Shares
Mr B Catchpole	19,000	71,250	19,000	71,250
Mr A H Clifton	-	-	-	-
Mr A Dromer	-	-	-	-
Mr P Guidone	-	-	-	-
Mr P J Twyman	-	-	-	-
Mr W O F Wallis	-	-	-	-
Mr A B Wyand	-	-	-	-

**Quilter Holdings Limited and its Group of Companies**  
**Directors' Report**  
**for the year ended 31 December 2000**

**Directors' Interests (Continued)**

**Quilter Holdings Limited - Share Option Scheme**

None of the directors received or became entitled to receive options under the above scheme.

Save as disclosed above, none of the directors who held office at 31 December 2000 had any beneficial interests in the Company's shares or the shares of any other company within the CGNU Group.

**Financial Reporting Standard 8 - Related Party Disclosures ("FRS8")**

These are referred to in Note 22 to the Accounts.

**Research and Development Activities**

The Company and the Group are committed to research and development activities in order to enhance its position as a stockbroker and investment manager.

**Creditor Payment Policy and Practice**

It is the Company's and Group's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating the terms of each transaction and it is the policy to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

The number of days purchases represented by the amounts due to trade creditors of the Group at 31 December 2000, calculated in accordance with the provisions of Schedule 7 of the Companies Act 1985, was 26 (1999: 14).

**Employees**

Full and fair consideration is given to all requests for employment by disabled persons, taking account of the aptitudes and abilities of applicants. Disabled persons employed by the Group enjoy the same opportunities as their colleagues in respect of training, career prospects and promotion. Every effort is made to continue the employment of persons who become disabled whilst employed by the Group, and to provide specialised training in appropriate cases.

It is the Group's policy and practice that selection for employment and promotion is based on the objective assessment of ability and experience, free from discrimination on any grounds. The Group seeks to facilitate work and career opportunities for employees by the provision of flexible employment options.

The Group seeks to ensure that its employees are fully aware of employment conditions and benefits. New employees are entitled to receive structured training.

The Group encourages the involvement of employees in its performance by way of a Staff Profit Related Pay Scheme.

**Quilter Holdings Limited and its Group of Companies**  
**Directors' Report**  
**for the year ended 31 December 2000**

**Employees (continued)**

The Group seeks to develop an awareness and understanding by all employees of its business performance and the external and internal factors affecting performance. This is achieved by a variety of methods, dependant upon circumstances, but normally comprises management briefing meetings with employees, the use of video presentations and the issue of explanatory documents and publications.

**Future Developments**

On 21 December 2000, Morgan Stanley Dean Witter & Co. and Quilter Holdings Limited announced that the shareholders of Quilter Holdings Limited have entered into a definitive agreement for the sale of Quilter Holdings Limited to Morgan Stanley Dean Witter & Co. The transaction is subject to shareholder and regulatory approval and is expected to be completed in the first quarter of 2001.

Approved and signed on behalf of the Board



Authorised Signatory  
CGNU Company Secretarial Services Limited

9 March 2001

Registered office:  
St Helen's, 1 Undershaft, London EC3P 3DQ

**Quilter Holdings Limited and its Group of Companies**  
**Statement of Directors' Responsibilities**  
**for the year ended 31 December 2000**

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**Quilter Holdings Limited and its Group of Companies**  
**Auditors' Report**  
**for the year ended 31 December 2000**

**Report of the auditors**

**to the members of Quilter Holdings Limited and its Group of Companies**

We have audited the financial statements on pages 8 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 13.

**Respective responsibilities of directors and auditors**

The directors are responsible for the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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 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 misstatements 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 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 and the group as at 31 December 2000 and of the profit of the group and of its cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors

9 /03/2001

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

**Quilter Holdings Limited and its Group of Companies**  
**Consolidated Profit and Loss Account**  
**for the year ended 31 December 2000**

	Notes	2000 £'000	1999 £'000 (restated)
<b>Turnover</b>	2	45,894	36,182
Administrative expenses		(40,937)	(32,879)
<b>Operating profit</b>	3	4,957	3,303
Interest receivable and similar income	6	4,461	3,331
Interest payable	7	(152)	(83)
<b>Profit on ordinary activities before taxation</b>		9,266	6,551
Tax on profit on ordinary activities	8	(2,396)	(2,264)
<b>Profit for the financial year</b>		6,870	4,287
7% Cumulative preference share dividends paid	9	(835)	(833)
<b>Retained profit for the financial year</b>	19	6,035	3,454
<b>Statement of retained profit / (deficit)</b>			
(Deficit) at the beginning of the year		(2,815)	(6,080)
Transfer to Special Reserve	18	-	(189)
Retained profit for the year	19	6,035	3,454
Retained profit/(deficit) at the end of the year		3,220	(2,815)

The results of the group all arise from continuing operations.

The Company has no recognised gains or losses other than those included in the results above and, therefore, no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 12 to 27 form part of these accounts.

**Quilter Holdings Limited and its Group of Companies**  
**Consolidated Balance Sheet**  
**as at 31 December 2000**

	Notes	£'000	2000 £'000	£'000	1999 £'000
<b>Fixed assets</b>					
Intangible assets	10 a	2,096		215	
Tangible assets	10 b	<u>1,775</u>	<u>3,871</u>	<u>1,508</u>	<u>1,723</u>
<b>Current assets</b>					
Debtors	12	52,127		45,647	
Investments held as current assets	13	5,150		5,154	
Cash at bank and in hand		<u>13,789</u>		<u>18,296</u>	
		71,066		69,097	
<b>Creditors: amounts falling due within one year</b>	14	(48,843)		(50,780)	
<b>Net current assets</b>			<u>22,223</u>		<u>18,317</u>
<b>Total assets less current liabilities</b>			<u>26,094</u>		<u>20,040</u>
 Provisions for liabilities and charges	16		(577)		(607)
<b>Net Assets</b>			<u>25,517</u>		<u>19,433</u>
<b>Capital and reserves</b>					
Called up share capital	17		12,053		12,053
Share premium	18		9,900		9,900
Other Reserves	18		344		295
Profit and loss account	19		<u>3,220</u>		<u>(2,815)</u>
			<u>25,517</u>		<u>19,433</u>
<b>Shareholders' funds:</b>	20				
Equity			13,564		7,480
Non-equity			<u>11,953</u>		<u>11,953</u>
			<u>25,517</u>		<u>19,433</u>

Director

The financial statements were approved by the board on 9/03/2001

The notes on pages 12 to 27 form part of these accounts.

**Quilter Holdings Limited and its Group of Companies**  
**Parent Company Balance Sheet**  
**as at 31 December 2000**

	Notes	2000 £'000	1999 £'000
<b>Fixed Assets</b>			
Shares in group undertakings	11	21,729	21,729
<b>Current assets</b>			
Amounts due from subsidiary undertakings		512	-
Other debtors		59	-
Investments held as current assets	13	125	104
Cash at bank and in hand		235	1,047
		<u>931</u>	<u>1,151</u>
<b>Creditors: amounts falling due within one year</b>	14	(276)	(707)
<b>Net current assets</b>		<u>655</u>	<u>444</u>
<b>Total assets less current liabilities</b>		<u>22,384</u>	<u>22,173</u>
<b>Capital and reserves</b>			
Called up share capital	17	12,053	12,053
Share premium	18	9,900	9,900
Other Reserves	18	106	57
Profit and loss account	19	325	163
		<u>22,384</u>	<u>22,173</u>
<b>Shareholders' funds:</b>			
Equity		10,431	10,220
Non-equity		11,953	11,953
		<u>22,384</u>	<u>22,173</u>



Director

The financial statements were approved by the board on 9/03/2001

The notes on pages 12 to 27 form part of these accounts.

**Quilter Holdings Limited and its Group of Companies**  
**Cash Flow Statement**  
**for the year ended 31 December 2000**

	Notes	2000 £'000	1999 £'000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		4,957	3,303
Depreciation of tangible fixed assets		675	479
Amortisation of intangible fixed assets		170	122
Decrease in value of current asset investment		4	-
Loss/(Profit) on sale of fixed assets		1	(20)
(Increase) in debtors		(6,404)	(15,991)
(Decrease)/increase in creditors		(4,453)	15,253
Decrease in provisions		(30)	(32)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(5,080)</b>	<b>3,114</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		4,461	3,331
Interest paid		(152)	(83)
Preference dividends paid		(835)	(833)
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>3,474</b>	<b>2,415</b>
<b>Taxation</b>		<b>-</b>	<b>(1,298)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		-	(238)
Purchase of tangible fixed assets		(929)	(854)
Sale of tangible fixed assets		5	30
		<b>(924)</b>	<b>(1,062)</b>
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertaking	11 c	(2,879)	-
Net cash acquired with purchase of subsidiary	11 c	899	-
		<b>(1,980)</b>	<b>-</b>
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		<b>(4,510)</b>	<b>3,169</b>
<b>Management of liquid resources</b>			
Purchase of current asset investments		-	(4,961)
<b>Financing</b>			
Grant of options		49	57
<b>Decrease in cash in the period</b>	26	<b>(4,461)</b>	<b>(1,735)</b>

Cash flows from operating activities and capital expenditure and financial investment does not include Hansard Fund Managers' debtors and creditors or purchase of tangible fixed assets at acquisition as this has been included in cash flows from acquisition and disposals as explained in note 11c.

The notes on pages 12 to 27 form part of these accounts.

**Quilter Holdings Limited and its Group of Companies**  
**Notes to the Accounts**  
**for the year ended 31 December 2000**

**1 Principal accounting policies**

**Accounting convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

**(a) Consolidated Accounts**

These accounts include results of the Company, all of its subsidiary undertakings and the Quilter Employee Share Ownership Plan. Intra-group revenue and any profits or losses are eliminated and all profit and loss figures relate to external transactions only. The Company has taken advantage of s.230 of the Companies Act 1985 not to present its own profit and loss account. Its profit for the year amounted to £162,347.

**(b) Presentation of debtor and creditor balances**

Balances with clients who settle against delivery of stock and market balances are shown gross. Other amounts due to and from the same client or market-maker are netted. Sums which have been placed on deposit as agent on behalf of clients have been excluded from all balances.

**(c) Intangible fixed assets**

Costs of computer software licences are capitalised and amortised over the period of the licence.

**(d) Tangible Fixed Assets**

The cost of those fixed assets which are capitalised is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off costs of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned, as follows:

	<b>Years</b>
Furniture, fixtures and fittings	5
Computers	4
Motor vehicles	4

**(e) Rates of exchange**

Foreign currency balances at the year end are translated into sterling at the rates ruling on 31 December and translation differences are taken to the profit and loss account. Realised profits and losses are converted into sterling at the rates ruling on the date of the transaction and are taken to the profit and loss account.

**(f) Turnover**

Turnover, which excludes value added tax, represents gross commissions on contracts plus gross management and other fees earned in the year. This is a change of accounting policy during the year as explained in note 2.

**Quilter Holdings Limited and its Group of Companies**  
**Notes to the Accounts**  
**for the year ended 31 December 2000**

**1 Principal accounting policies (continued)**

**(g) Taxation**

Taxation is based on the result for the year as adjusted for disallowable items but, where it arises as a result of group relief surrendered, the credit is limited to the amount of the anticipated receipt. Provision is made for deferred tax in respect of the tax effects arising from all timing differences of material amounts to the extent that it is probable that a liability will crystallise.

UK dividend income is recognised at the amount receivable without any attributable tax credit.

**(h) Pension scheme arrangements**

The Group's main scheme is a defined contributions pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Separate arrangements are made for certain directors and senior employees who are not members of the group scheme. The Group's other scheme is a funded defined benefits scheme, which is non-contributory and is not contracted out of the state scheme. The fund is valued every three years by a professionally qualified actuary on both a going concern and discontinuance basis, the rates of contribution being recommended by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The most recent valuation was carried out as at 1 January 2000.

**(i) Operating leases**

Costs in respect of operating leases are charged to the profit and loss account as they arise.

**(j) Investments**

Investments in subsidiary undertakings are stated at cost less any provision considered necessary by the directors to recognise impairment in value.

**(k) Current asset investments**

Non trading book investments listed on a recognised investment exchange and unlisted investments are stated at the lower of cost and directors' valuation.

**(l) Goodwill**

Where goodwill is purchased or arises on acquisition of subsidiary undertakings and associated undertakings, in accordance with Financial Reporting Standard number 10 ("FRS 10"), it is capitalised and written off to the profit and loss account over the number of years considered appropriate by the directors to reflect its useful economic life. Useful economic life has been determined in respect of the acquisition of Hansard Fund Managers to match the period over which the value of the underlying business will exceed the value of its identifiable net assets, namely 10 years. Prior to the introduction of FRS 10 in 1998, goodwill of £9,636,181 was written off directly to reserves.

**(m) Employee Share Ownership Plan (ESOP)**

The investment in own shares made by the ESOP Trust has been included on the balance sheet of the Group and the sponsoring company and the administration costs incurred by the Trust have been charged to the profit and loss account in accordance with UITF 17.

**Quilter Holdings Limited and its Group of Companies**  
**Notes to the Accounts**  
**for the year ended 31 December 2000**

**2 Turnover**

The Group operates in one category of business, that of the provision of stockbroking and fund management services. No geographical analysis of turnover is disclosed as the directors do not consider that it is a meaningful breakdown of the Group's revenue.

Turnover comprises:	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Commissions	21,702	18,226
Fees and other income	24,192	17,956
	<u>45,894</u>	<u>36,182</u>

Previously turnover comprised net commission and management and other fees paid in the year. The accounting policy has been changed because the directors consider the new policy, whereby turnover is stated gross of commission and management and other fees, gives a fairer presentation of the Group's results. The 1999 comparative figures have been restated to reflect this new accounting policy. There is no effect on the current and previous year's operating profit.

<b>3 Operating profit</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
This is stated after charging:		
Auditors' remuneration for:		
- audit current year	114	94
- audit prior year	7	(3)
- other services	174	38
Depreciation of tangible fixed assets	675	479
Amortisation of intangible fixed assets	170	122
Operating lease rentals - motor vehicles	148	185
Operating lease rentals - leased premises	<u>1,874</u>	<u>1,749</u>

**4 Directors' emoluments**

Three directors, including the Chairman, are remunerated by CGNU Employment Services Limited in respect of their services to the CGNU Group as a whole. Three directors (1999: two) are remunerated by a member of the Credit Commercial de France SA group of companies, both of them discharge their duties outside the United Kingdom. No charge is made to the Company in respect of any of these directors. Two other directors are remunerated by Quilter & Co. Limited, a subsidiary undertaking, and details of their emoluments are shown below.

(a) Total emoluments are:

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<u>312</u>	<u>281</u>

**Quilter Holdings Limited and its Group of Companies**  
**Notes to the Accounts**  
**for the year ended 31 December 2000**

**4 Directors' emoluments (continued)**

(b) Highest paid director

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	<u>290</u>	<u>259</u>

**5 Particulars of employees and staff costs**

(a) Group employment costs - all employees, including executive directors: -

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	20,157	14,436
Social security costs	2,031	1,440
Other pension costs	1,347	1,268
	<u>23,535</u>	<u>17,144</u>

(b) The average number of persons employed by the Group during the year, including executive directors, is analysed below: -

	<b>2000</b>	<b>1999</b>
	<b>Number</b>	<b>Number</b>
Dealing	6	5
Investment management	152	135
Research	9	7
Marketing	12	12
Administration	164	159
	<u>343</u>	<u>318</u>

**6 Interest receivable and similar income**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Income from investments and foreign exchange gains	337	-
Interest from banks	4,124	3,331
	<u>4,461</u>	<u>3,331</u>

**7 Interest payable**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Interest Payable to Banks	<u>152</u>	<u>83</u>

**Quilter Holdings Limited and its Group of Companies**  
**Notes to the Accounts**  
**for the year ended 31 December 2000**

**8 Taxation**

	2000 £'000	1999 £'000
<b>On the results of the Company for the year:</b>		
United Kingdom corporation tax		
at 30% (1999: 30.25%)		
- current year	2,776	2,008
- prior year	(380)	254
Overseas tax - current year	-	2
	<u>2,396</u>	<u>2,264</u>

**9 Dividends**

	2000 £'000	1999 £'000
<b>Dividends on non-equity shares:</b>		
7% Cumulative preference shares paid	<u>835</u>	<u>833</u>

**10 Intangible and tangible fixed assets**

**(a) Intangible Fixed Assets**

	Software Licences £'000	Purchased Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2000	1,472	-	1,472
Additions	<u>-</u>	<u>2,051</u>	<u>2,051</u>
At 31 December 2000	<u>1,472</u>	<u>2,051</u>	<u>3,523</u>
<b>Amortisation</b>			
At 1 January 2000	1,257	-	1,257
Provided during the year	<u>79</u>	<u>91</u>	<u>170</u>
At 31 December 2000	<u>1,336</u>	<u>91</u>	<u>1,427</u>
<b>Net book value</b>			
At 31 December 2000	<u>136</u>	<u>1,960</u>	<u>2,096</u>
At 31 December 1999	<u>215</u>	<u>-</u>	<u>215</u>

**Quilter Holdings Limited and its Group of Companies**  
**Notes to the Accounts**  
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**10 Intangible and tangible fixed assets (continued)**

<b>(b) Tangible Fixed Assets</b>	<b>Furniture, fixtures &amp; fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Computers £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2000	1,968	28	3,963	5,959
Additions	167	5	776	948
Disposals	-	(5)	(2)	(7)
At 31 December 2000	<u>2,135</u>	<u>28</u>	<u>4,737</u>	<u>6,900</u>
<b>Depreciation</b>				
At 1 January 2000	1,210	27	3,214	4,451
Charge for the year	257	1	417	675
On disposals	-	(1)	-	(1)
At 31 December 2000	<u>1,467</u>	<u>27</u>	<u>3,631</u>	<u>5,125</u>
<b>Net book value</b>				
At 31 December 2000	<u>668</u>	<u>1</u>	<u>1,106</u>	<u>1,775</u>
At 31 December 1999	<u>758</u>	<u>1</u>	<u>749</u>	<u>1,508</u>

**11 Shares in group undertakings**

**(a)** The Company's investments in its subsidiary undertakings comprise:

	<b>Investments in subsidiary undertakings £'000</b>
<b>Cost</b>	
At 1 January 2000	21,729
Additions	-
Disposals	-
At 31 December 2000	<u>21,729</u>

**Quilter Holdings Limited and its Group of Companies**  
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**11 Shares in group undertakings (continued)**

- (b) The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those wholly owned subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the accounts of the Group:

Company	Principal Activities	Shares Held
		Number
Quilter & Co. Limited	Stockbroking and Fund Management	9,508,000
Quilter Fund Management Ltd	Unit Trust Management	125,000
Hansard Fund Managers Limited	Provision of Investment Advice	355,000
Quilter International Management (IOM) Limited	Offshore fund manager	100,000
Foster & Braithwaite Limited	Ceased trading	1,103,500

With the exception of Foster & Braithwaite Limited, whose shares are 1p, all shares held are £1 ordinary shares. The Company owns 100% of the share capital of the above companies.

All the above companies are registered in England and Wales except for Quilter International Management (IOM) Limited which is registered in the Isle of Man.

All companies prepare accounts to 31 December each year. The companies operated principally in their country of incorporation or registration.

**(c) Acquisition of Subsidiary**

On April 28 2000, Quilter & Co. Limited acquired the whole of the share capital of Hansard Fund Managers Limited for a total consideration of £2,682,270. The Company has adopted acquisition accounting rules to account for the purchase and Hansard Fund Managers Limited has been included in the consolidated balance sheet of Quilter Holdings Limited at 31 December 2000.

For the 8 month period since acquisition, sales of £1,041,574 and operating profit of £262,640 are included within the consolidated profit and loss account as continuing operations.

The operating assets and liabilities of Hansard Fund Managers Limited during the year were as follows:

Net assets acquired:	Total Fair Value
	£
Fixed Assets	18,737
Debtors	75,965
Cash	899,529
Creditors	(166,259)
Total as at 28 April 2000	<u>827,972</u>

**Quilter Holdings Limited and its Group of Companies**  
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**11 Shares in group undertakings (continued)**

<b>(c) Acquisition of Subsidiary (continued)</b>	<b>£</b>
Consideration	2,682,270
Cost of Acquisition Expenses	196,534
Goodwill	(2,050,832)
Total as at 28 April 2000	<u>827,972</u>

The Directors are of the opinion that book value and fair value are the same, hence no adjustments have been made. In accordance with the Group's accounting policy, the goodwill arising on consolidation is being written off through the profit and loss account over the estimated useful life.

The summarised profit and loss account from 1 July 1999, the beginning of Hansard Fund Managers Limited financial year, to the date of acquisition is as follows:

	<b>Hansard Fund Managers</b> <b>Period ended 28 April 2000</b>
	<b>£'000</b>
Turnover	<u>1,071</u>
Operating Profit	<u>261</u>
Profit on ordinary activities before taxation	<u>207</u>
Profit on ordinary activities after taxation	<u>203</u>

The company had no recognised gains or losses other than those included in the results above and, therefore, no separate statement of total recognised gains and losses has been presented.

The profit on ordinary activities after taxation for the year ended 30 June 1999 was £156,011.

**Analysis of movements of cash and cash equivalents in respect of the acquisition of Hansard Fund Managers Limited**

	<b>Hansard Fund Managers</b> <b>Period ended 28 April 2000</b> <b>£'000</b>
Cash on hand and in bank account	<u>899</u>

Hansard Fund Managers Limited contributed £831,683 to the Group's net operating cash outflows and received £27,762 in respect of net returns on investment and servicing of finance.

**Quilter Holdings Limited and its Group of Companies**  
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**12 Debtors**

	<b>Group 2000 £'000</b>	<b>Company 2000 £'000</b>	<b>Group 1999 £'000</b>	<b>Company 1999 £'000</b>
Clients and counterparties	31,349	-	33,263	-
Prepayments and accrued income	9,671	-	8,268	-
Other debtors	11,102	59	4,112	-
Amounts due from subsidiary undertakings	5	512	4	-
	<u>52,127</u>	<u>571</u>	<u>45,647</u>	<u>-</u>

**13 Investments held as current assets**

	<b>Group 2000 £'000</b>	<b>Company 2000 £'000</b>	<b>Group 1999 £'000</b>	<b>Company 1999 £'000</b>
(a) Own shares held by the Quilter Employee Share Ownership Plan, at cost	125	125	104	104
Authorised, collective investment scheme	5,000	-	5,000	-
Other	25	-	50	-
	<u>5,150</u>	<u>125</u>	<u>5,154</u>	<u>104</u>

On 29 October 1999 Quilter & Co. Limited, a subsidiary undertaking, purchased 5,000,000 shares at 100p per share in the Quilter UK Equity Income Fund. The purpose of the fund is to provide a rising stream of income together with long-term capital appreciation through investment in a portfolio of United Kingdom equities and related investments. As at December 2000 these shares were valued at 103.73p per share (1999:109.56p).

**(b) Ordinary shares in the London Stock Exchange :**

	<b>2000 Number of Shares</b>
At 1 January 2000	-
Conversion of 'B' class shares to Ordinary Shares	100,000
At 31 December 2000	<u>100,000</u>

**Quilter Holdings Limited and its Group of Companies**  
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**13 Investments held as current assets (continued)**

**(b) Ordinary shares in the London Stock Exchange : (continued)**

On 15 March 2000, 'B' class Shareholders of the London Stock Exchange (LSE) approved a resolution to exchange the existing B Shares in the LSE for Ordinary Shares once the Exchange re-registered as a public company. As a 'B' class shareholder of the LSE, Quilter & Co. Limited received 100,000 Ordinary shares in London Stock Exchange plc in exchange for its B class share on the 8 June 2000. Quilter & Co. Ltd subsequently sold its 100,000 ordinary shares in the LSE in January 2001 and received net proceeds of £1,996,000.

**14 Creditors: amounts falling due within one year**

	<b>Group 2000 £'000</b>	<b>Company 2000 £'000</b>	<b>Group 1999 £'000</b>	<b>Company 1999 £'000</b>
Bank loans and overdrafts	47	-	93	-
Clients and Counterparties	26,103	-	34,132	-
Amounts owed to subsidiary undertakings and group undertakings	6,460	235	3,084	689
Taxation and Social Security (note 15)	218	-	3,890	-
Other creditors	6,959	25	3,988	9
Accruals and deferred income	9,056	16	5,593	9
	<u>48,843</u>	<u>276</u>	<u>50,780</u>	<u>707</u>

**15 Taxation and social security**

	<b>Group 2000 £'000</b>	<b>Company 2000 £'000</b>	<b>Group 1999 £'000</b>	<b>Company 1999 £'000</b>
Corporation Tax	<u>218</u>	<u>-</u>	<u>3,890</u>	<u>-</u>

**16 Provisions for liabilities and charges**

	<b>Group Pensions (note 25) £'000</b>
At 1 January 2000	607
Transferred to profit and loss account	(30)
At 31 December 2000	<u>577</u>

**Quilter Holdings Limited and its Group of Companies**  
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**17 Share capital**

<b>Authorised:</b>	<b>Company 2000 £'000</b>	<b>Company 1999 £'000</b>
<b>Attributable to equity interests:</b>		
7,000,000 'A' Ordinary shares of 1p each	70	70
2,500,000 'B' Ordinary shares of 1p each	25	25
500,000 Ordinary Management shares of 1p each	5	5
8,125,000 Unclassified shares of 1p each	81	81
<b>Attributable to non-equity interests:</b>		
1,875,000 Management shares of 1p each	19	19
11,934,000 7% Cumulative Preference shares of £1 each	11,934	11,934
	<u>12,134</u>	<u>12,134</u>
<b>Allotted, called up and fully paid:</b>		
<b>Attributable to equity interests:</b>		
7,000,000 'A' Ordinary shares of 1p each	70	70
2,500,000 'B' Ordinary shares of 1p each	25	25
500,000 Ordinary Management shares of 1p each	5	5
<b>Attributable to non-equity interests:</b>		
1,875,000 Management shares of 1p each	19	19
11,934,000 7% Cumulative Preference shares of £1 each	11,934	11,934
	<u>12,053</u>	<u>12,053</u>

The preference shares are irredeemable and dividends are payable six monthly. The preference shares are non-voting unless the preference dividend is in arrears by six months or more. Holders are entitled to receive dividends in priority to holders of any class of share.

Each of the 'A', 'B' and other ordinary shares has the same voting rights and rights to participate in the profits of the Company. Management shares have no voting rights other than when a general meeting contains a resolution which affects the rights or privileges attaching to those shares. Holders of management shares are not entitled to participate in the profits of the company in respect of these shares. The shares may be converted to fully paid ordinary shares of the Company on Conversion Date if certain criteria, as detailed in the Company's Articles of Association, are met.

On 15 May 1997, the Quilter Employee Share Ownership Plan ("ESOP") was established as an employees' share scheme within Section 743 of the Companies Act 1985. Its object is to help and encourage the holding of ordinary and management shares in the Company by employees of the Group and their dependants. The ESOP has acquired certain shares from employees who have left the employment of the Group. The ESOP Trustee is Commercial Trust Company Limited, a wholly owned subsidiary of the Group. The Trustee may take advice from a committee of the Board of the Company in relation to the operation of the ESOP, and distribution of the shares to employees. At 31 December 2000 the ESOP held 120,590 shares (1999: 100,640) and 452,211 (1999: 377,398) Management shares.

# Quilter Holdings Limited and its Group of Companies

## Notes to the Accounts

for the year ended 31 December 2000

### 17 Share capital (continued)

The Quilter Share Option Scheme 1999 was approved by the Board of the Company on 26 March 1999. The scheme is intended to operate as an incentive through which high performance is encouraged and rewarded and which helps the Group retain its key people. On 26 March 1999 options over 46,100 Ordinary Management Shares and 172,876 Management Shares were granted to certain employees of the Group. On 2 April 1999 options were granted over a further 8,750 Ordinary Management Shares and 32,813 Management Shares. On March 2000 options were granted over a further 45,690 Ordinary Management Shares and 171,341 Management Shares. The proceeds for these options have been credited to "Other Reserves" in the Group and Company balance sheet.

On 6 December 2000 a new scheme was approved by the Board of the Company called Quilter Holdings Limited Share Option Scheme. On that day options were granted over 94,500 Ordinary Management Shares.

### 18 Share premium account and other reserves

	Group £'000	Company £'000
<b>Share premium account:</b>		
At 1 January and 31 December 2000	9,900	9,900
<b>Other Reserves:</b>		
At 1 January 2000	295	57
Proceeds received from employees upon application for options in the Quilter Share Option Scheme.	49	49
At 31 December 2000	344	106

On 16 July 1997, the High Court of Justice granted an order, effective from 17 July 1997, that Quilter & Co. Limited, a subsidiary undertaking of the Company, reduce its capital from 20,000,000 Ordinary Shares of £1 each to 12,608,000 Ordinary Shares of £1 each of which 9,508,000 have been issued and fully paid up. The Order states that, if Quilter & Co. Limited receives from any subsidiary any distribution paid out of profits available for distribution prior to 1 January 1997, the whole of such dividend shall be credited to a separate reserve to be maintained in the books of Quilter & Co. Limited called the "Special Reserve". Quilter & Co. Limited received no dividends from subsidiary undertakings during 2000 relating to distributable profits prior to 1 January 1997 (1999: £189,000 was transferred to the Special Reserve in accordance with the High Court order).

### 19 Profit and loss account

	Group £'000	Company £'000
At 1 January 2000	(2,815)	163
Profit for the year	6,035	162
At 31 December 2000	3,220	325

**Quilter Holdings Limited and its Group of Companies**  
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**20 Reconciliation of movement in shareholders' funds**

	<b>Group 2000 £'000</b>	<b>Group 1999 £'000</b>
At 1 January	19,433	15,922
Profit for the financial year	6,870	4,287
Dividends	(835)	(833)
Grant of share options	49	57
At 31 December	<u>25,517</u>	<u>19,433</u>

**21 Contingent liabilities**

The Group has indemnified CGNU plc for losses which may arise from guarantees given on behalf of certain clients of the company's subsidiaries. The guarantees are secured against client portfolios and hence no loss is expected to arise. It has also given indemnities in respect of lost share certificates on which no loss is expected to arise. There is a guarantee to the Bank of Scotland that client trust accounts in overdraft will be met by the Group.

The Group has given a guarantee to a fellow member of the CGNU Group that should the value of its investment in shares of the Quilter UK Growth Fund (a fund of the Quilter UK Investment Funds ICVC, the Authorised Corporate Director of which is Quilter Fund Management Ltd, a subsidiary undertaking of Quilter & Co. Limited) fall below a value determined by the performance benchmarking value, agreed from time to time by the parties to the agreement, the Group would make good this shortfall by purchasing more shares on behalf of the CGNU Group. The agreement commenced on 31 October 1999 (the date at which CGNU Group acquired the investment) and ceases on 1 November 2002. At 31 December 2000 the investment was valued at £26.949m (1999: £28.773m) which was £753,000 (1999: £810,000) above its benchmark value. As a result, no liability under the guarantee had fallen due.

**22 Related party transactions**

As consolidated accounts are publicly available, the Company has taken advantage of the exemption from the requirement to disclose transactions with related parties who are 90% or more owned with the same group.

During the year, Quilter & Co. Limited (Q&Co), a subsidiary undertaking, incurred costs for accommodation and other services provided by CGNU International plc (CGNU) totalling £2,222,106 (1999: £1,937,656). The Company owed CGNU £1,578,208 (1999: £885,011) at the year end.

During the year, twenty-seven directors (1999: twenty-five) and their families have used the share dealing service of Quilter & Co. Limited. This service is charged at an amount below that charged to non-staff clients. These transactions amounted to a total consideration of £6,594,153 (1999: £4,667,433) and a total benefit, calculated as the difference between the actual amount of commission charged at staff rates and what would have been charged had the transaction been charged at non-staff rates, of £60,298 (1999: £51,710).

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**23 Capital commitments**

There is no future capital expenditure contracted but not provided for as at 31 December 2000 (1999: £nil).

**24 Lease obligations**

	<b>Group</b>	<b>Group</b>
	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
At 31 December 2000 the Group had annual commitments under operating leases in respect of motor vehicles as follows:		
On leases expiring within 1 year	30	21
On leases between 2 and 5 years	103	151
	<u>133</u>	<u>172</u>
At 31 December 2000 the Group had annual commitments under operating leases in respect of rental premises as follows:	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
On leases expiring within 1 year	41	20
On leases between 2 and 5 years	178	91
On leases due after 5 years	1,662	1,662
	<u>1,881</u>	<u>1,773</u>

**25 Pension fund contributions**

Within the Group Quilter & Co. Limited operates three occupational pension schemes in the UK and the Channel Islands. In the UK there is a defined benefits scheme, the Quilter & Co. Limited Retirement Benefits Scheme (the "UK Scheme"), which is now closed to new members, and a defined contributions scheme, the Quilter & Co. Limited 1997 Retirement Benefits Scheme. This scheme is the Group's main occupational scheme in the UK and covers 54% of total scheme members. Certain individuals receive either a monthly pension supplement to their salaries, or contributions from the company to personal pension plans.

In the Channel Islands the company operates a defined benefits scheme (Quilter & Co Channel Islands Retirement Benefits Scheme), which is administered and managed in the Channel Islands.

The pension charge was as follows:

	<b>Group</b>	<b>Group</b>
	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
UK scheme	623	774
CI Scheme	178	154
Money Purchase Scheme	391	302
Other Schemes	155	38
	<u>1,347</u>	<u>1,268</u>

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**25 Pension fund contributions (continued)**

The funding rate in force during the year for the Quilter & Co. Ltd Retirement Benefits Scheme was 16.1% (1999: 20.3%) for the UK Scheme and 16.7% (1999:16.7%) for the Quilter & Co Channel Islands Retirement Benefits Scheme. The funding rates are determined by the appointed Actuaries to each scheme. The latest Actuarial Valuation of the UK Scheme was conducted by the trustee appointed actuary, SBJ Benefit Consultants, as at 1 January 2000, using the attained age method. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.0% per annum, salary increases would average 6.5% per annum and dividend growth would increase by 5.0% per annum.

The latest actuarial valuation of the Channel Islands scheme was at 1 January 1998, and the next valuation is due as at 1 January 2001.

**26 Analysis of changes in net funds**

	<b>£'000</b>		
<b>Changes during the period</b>			
At 1 January 2000		18,203	
Net cash outflow		(4,461)	
		<hr/>	
At December 2000		13,742	
<b>Analysed in the balance sheet</b>	<b>1 January 2000 £'000</b>	<b>Change £'000</b>	<b>31 December 2000 £'000</b>
Cash at bank and in hand	18,296	(4,507)	13,789
Bank overdrafts	(93)	46	(47)
	<hr/>	<hr/>	<hr/>
Total	18,203	(4,461)	13,742

**27 Immediate and ultimate holding companies**

The Company's immediate holding company is Steerline Limited.

The Company's ultimate holding company and ultimate controlling party is CGNU plc. This company prepares consolidated accounts and copies of these may be obtained, upon application, from: -

The Group Company Secretary  
CGNU plc  
St Helen's  
1 Undershaft  
London EC3P 3DQ

**Quilter Holdings Limited and its Group of Companies**  
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**28 Post Balance sheet events**

On 21 December 2000, Morgan Stanley Dean Witter & Co. and Quilter Holdings Limited announced that the shareholders of Quilter Holdings Limited have entered into a definitive agreement for the sale of Quilter Holdings Limited to Morgan Stanley Dean Witter & Co. The transaction is subject to shareholder and regulatory approval and is expected to be completed in the first quarter of 2001.