

CONCOURSE SKELMERSDALE LIMITED

(Registered Number: 3302904)

Report and Accounts

for the Year Ended

31 December 1998



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Report and Accounts for the Year Ended 31 December 1998

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DIRECTORS

D Jordison

D Price

P A Rangecroft

A D Strang

Secretary and registered office

A Kaye
60 St Mary Axe
London
EC3A 8JQ

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The Directors present their report and the audited financial statements for the year ended 31 December 1998.

Significant developments and principal activities

The principal activity of the Company is to act as general partner to The Skelmersdale Limited Partnership based in the UK.

On 7 September 1998, the financial services businesses of B.A.T. Industries (including the Company) were merged with Zurich Insurance under Zurich Financial Services, a company incorporated in Switzerland.

On 8 September 1998 British American Financial Services (UK & International) Limited changed its name to Zurich Financial Services (UKISA) Limited. Zurich Financial Services (UKISA) Limited continues to act as the holding company of the Zurich Financial Services Group subsidiaries in the UK, Ireland and Southern Africa.

The Directors do not anticipate any change in the nature of activities in the foreseeable future. However, it is expected that in 1999 the ownership and business of the Threadneedle Asset Management Group of which the Company is a member, will be sold to Scudder Kemper Investments Group, another part of Zurich Financial Services Group.

Results and dividends

The profit and loss account for the year is set out on page 7.

The level of business and the financial position at the end of year are satisfactory and the Directors expect this level of activity to continue for the foreseeable future.

The profit for the year is £1,033 (1997: loss £5,869) and the Directors do not recommend the payment of a dividend (1997: £nil).

Year 2000 compliance

A programme to ensure that the Year 2000 date change does not disrupt the Company's operations started in early 1997. During 1998, the programme continued to progress in line with the Directors' expectations. The programme is based on a detailed risk assessment that includes such areas as continuity of supplied services, contingency planning and health and safety as well as in-house individual computer systems. The overall cost of the programme for the Threadneedle Group of which the Company is a member is expected to be £3 million, incurred over 3 years.

Fixed assets

The Company contributed 0.5% of the capital of the Skelmersdale Limited Partnership. Details of the Company's investment are disclosed in note 6 of the accounts.

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Directors and directors' interests

The Directors of the Company are listed on page 2.

The Company is a subsidiary of Zurich Financial Services, a Company incorporated in Switzerland which is owned as to 57% by Zurich Allied AG, incorporated in Switzerland and as to 43% by Allied Zurich p.l.c, incorporated in England and Wales. Neither Zurich Allied AG nor Allied Zurich p.l.c. falls within the definition of a holding Company in Section 736, Companies Act 1985. None of the Directors are interested in any shares or debentures of Zurich Financial Services.

Directors' responsibilities

The following statement sets out the responsibilities of the Directors in relation to the financial statements of the Company. The report of the auditors on page 6 sets out their responsibilities in relation to the financial statements.

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

- select suitable accounting policies and then apply them consistently, subject to any material departures being disclosed and explained;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company, and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

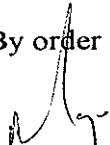
The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement

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Auditors

The Company's auditors, Coopers and Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers and Lybrand resigned and the Directors appointed the new firm, PricewaterhouseCoopers, as auditors. The Company has elected by a resolution passed in accordance with section 386 of the Companies Act 1985 and dated 7 May 1997, to dispense with the obligation to appoint auditors annually.

By order of the board



A Kaye
Company Secretary

10th May 1999

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REPORT OF THE AUDITORS TO THE MEMBER OF
CONCOURSE SKELMERSDALE LIMITED

We have audited the financial statements on pages 7 to 14.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report and Accounts, including as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established 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 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 Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

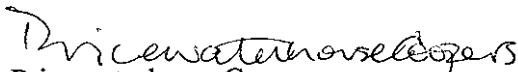
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

11 May 1999

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £	1997 £
Turnover		-	-
Administrative expenses		<u>(10,997)</u>	<u>(15,636)</u>
Operating loss		(10,997)	(15,636)
Profit on disposal of fixed asset investments		<u>-</u>	<u>912</u>
		(10,997)	(14,724)
Income from fixed asset investments	3	11,475	8,561
Bank interest receivable		<u>490</u>	<u>157</u>
Profit / (Loss) on ordinary activities before taxation	4	968	(6,006)
Taxation	5	<u>65</u>	<u>137</u>
Retained profit (loss) for the period		<u>1,033</u>	<u>(5,869)</u>

The movements in reserves are set out in note 11.

All results are derived from continuing operations.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

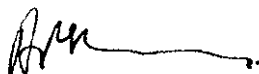
	1998 £	1997 £
Profit /(loss) for the year	1,033	(5,869)
Revaluation (deficit) / surplus	(1,033)	5,869
Total recognised gain	<u>-</u>	<u>-</u>

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BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	1998 £	1997 £
Fixed assets			
Investments	6	<u>7,326</u>	<u>8,369</u>
		7,326	8,369
Current assets			
Debtors: amounts due within one year	7	<u>3,186</u>	<u>2,829</u>
Cash at bank and in hand		<u>20,349</u>	<u>8,734</u>
		23,535	11,563
Creditors: amounts falling due within one year	8	<u>(28,410)</u>	<u>(17,113)</u>
Net current assets		(4,875)	(5,550)
Creditors: amounts falling due after more than one year	9	<u>(1,451)</u>	<u>(1,819)</u>
Net assets		<u>1,000</u>	<u>1,000</u>
Called up share capital	10	<u>1,000</u>	<u>1,000</u>
Profit and loss account	11	<u>(4,836)</u>	<u>(5,869)</u>
Revaluation reserve	11	<u>4,836</u>	<u>5,869</u>
Equity shareholders' funds	12	<u>1,000</u>	<u>1,000</u>

The financial statements on pages 7 to 14 were approved by the Board of Directors on 10 May 1999 and were signed on its behalf:



A D Strang
Director

10 May 1999

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NOTES TO THE ACCOUNTS

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The cash flows of the Company are included in the consolidated cash flow statement of the Company's ultimate parent Company, Zurich Financial Services. Accordingly, no separate cash flow statement for the Company has been presented.

a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified to value fixed asset investments at market value.

b) Group accounts

The Company is exempt under section 228 of the Companies Act 1985 (subsidiary undertaking of an EC parent) from preparing group accounts. The above accounts and attached notes are therefore in respect of the Company only. The accounts of the Company are included in the consolidated accounts of Threadneedle Asset Management Limited Group.

c) Deferred taxation

Deferred taxation is provided for on timing differences, using the liability method, to the extent that it is probable that a liability or asset will crystallise.

d) Turnover

Turnover is stated net of VAT and any discounts.

e) Value Added Tax

Irrecoverable VAT is included with the expense on which it has been suffered.

f) Investments

- i. Profit on disposal of fixed asset investments is calculated as the difference between net sale proceeds and cost.
- ii. Investment income is the amount receivable for the year and includes, where appropriate, the imputed tax credit.
- iii. Investments are included in the balance sheet at market value at 31 December.

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2. **Directors and employees**

Employees

The average weekly number of persons employed by the Company during the period was nil (1997: £nil).

Directors' remuneration

No Directors received any emoluments in respect of their services to the Company during the period (1997: £nil)

3. **Income from fixed asset investments**

	1998	1997
	£	£
Listed	-	172
Unlisted	11,475	8,389
	<u>11,475</u>	<u>8,561</u>

4. **Profit on ordinary activities before taxation**

Audit fees of £1,423 (1997: £1,398) were borne by other group companies. No remuneration was paid to the Company's auditors in respect of non-audit services (1997: £nil).

5. **Taxation**

The taxation credit for the year is based on the taxable income in the profit and loss account and is made up as follows:

	1998	1997
	£	£
United Kingdom Corporation Tax		
- Current at 31.0% (1997: 31.5%)	(300)	1,990
- Deferred	368	(1,819)
- Prior year adjustment	(3)	-
Imputed tax credits	-	(34)
	<u>65</u>	<u>137</u>

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6. **Fixed asset investments**

	1998 £	1997 £
At 1 January 1998/16 January 1997	8,368	-
Additions	-	12,435
Disposals	-	(9,935)
Revaluation	<u>(1,042)</u>	<u>5,869</u>
At 31 December	<u><u>7,326</u></u>	<u><u>8,369</u></u>

The Company contributed £2,500, being 0.5% of the capital of The Skelmersdale Limited Partnership, a property partnership registered in England & Wales.

The investment has been revalued during the year to reflect the decreased value of the investment in the underlying partnership assets. The revaluation of the underlying partnership's investment property assets was undertaken by a chartered surveyor at the request of the partners and reflects open market values at 31 December 1998.

	1998 £	1997 £
Unlisted investment	<u>7,326</u>	<u>8,369</u>

7. **Debtors: amounts falling due within one year**

	1998 £	1997 £
Distribution due from limited partnership	1,199	839
Corporation tax receivable	-	1,990
Amounts due from parent Company	<u>1,987</u>	<u>-</u>
	<u><u>3,186</u></u>	<u><u>2,829</u></u>

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8. **Creditors: amounts falling due within one year**

	1998 £	1997 £
Amount due to parent	28,110	17,113
Corporation Tax	300	-
	<u>28,410</u>	<u>17,113</u>

9. **Creditors: amounts falling due after one year**

	1998 £	1997 £
Deferred tax liability	<u>1,451</u>	<u>1,819</u>

10. **Called up share capital**

	1998 £	1997 £
Authorised		
1,000 (1997: 1000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

	1998 £	1997 £
Allotted, called up and fully paid		
1,000 (1997: 1000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

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11. **Movement in reserves**

	Profit and Loss Account £	Revaluation Reserve £	Total £
As at 1 January 1998	(5,869)	5,869	-
Retained profit for the year	1,033	-	1,033
Revaluation reserve	-	(1,033)	(1,033)
At 31 December	<u>(4,836)</u>	<u>4,836</u>	<u>-</u>

12. **Reconciliation of movement in shareholders' reserves**

	1998 £	1997 £
Movement on reserves	-	-
Issue of share capital	-	1,000
Net movement in shareholders' funds	<u>-</u>	<u>1,000</u>
Opening shareholders' funds	1,000	-
Closing shareholders' funds	<u>1,000</u>	<u>1,000</u>

13. **Ultimate parent company**

The Company's ultimate parent Company is Zurich Financial Services which is incorporated in Switzerland. Zurich Financial Services is owned as to 57% by Zurich Allied AG, incorporated in Switzerland, and as to 43% by Allied Zurich p.l.c. incorporated in England and Wales.

Copies of the consolidated financial statements of Zurich Financial Services can be obtained from The Secretary, Allied Zurich p.l.c., 22 Arlington Street, London SW1A 1RW.

Threadneedle Asset Management Ltd. is the parent Company of the smallest group of companies, of which the Company is a wholly owned subsidiary, for which group accounts are drawn up. Copies of the consolidated financial statements of Threadneedle Asset Management Ltd. can be obtained from The Secretary, Threadneedle Asset Management Ltd, 60 St. Mary Axe, London EC3A 8JQ.

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14. **Related party transactions**

Concourse Skelmersdale Limited is a general partner in a limited partnership arrangement of which 0.5% is held (note 6). Income of £11,565 (1997: £8,389) was receivable from the limited partnership of which £1,199 remains outstanding at year end (note 7). There were no other transactions with the limited partnership.

In all other respects, advantage has been taken of the exemption provided by FRS 8 from disclosing details of transactions with Zurich Financial Services and its subsidiaries.