

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

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CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 1998

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## BOARD OF DIRECTORS

M J Levett B Comm FIA FASSA ASA (Chairman)  
K J Carter BSc (Hons) MBA PhD CFA  
R O Bernays MA  
T J R Gordon BA FIA  
R F Hoyle FCA ACII

## COMPANY SECRETARY

B Malone BSc (Hons) FCA

## REGISTERED OFFICE

5<sup>th</sup> Floor  
80 Cheapside  
London  
EC2V 6EE

## REGISTERED NUMBER

England: 3347383



# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

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## REPORT OF THE DIRECTORS

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The Directors present their report and audited consolidated financial statements for the period from 1<sup>st</sup> July 1998 to 31<sup>st</sup> December 1998.

### ACTIVITIES

The Company's principal activity is that of an investment holding company.

### CHANGE OF ACCOUNTING REFERENCE DATE

In line with its ultimate parent, the Company has changed its accounting reference date from 30<sup>th</sup> June to 31<sup>st</sup> December. Accordingly the current set of financial statements are for the period from 1<sup>st</sup> July 1998 to 31<sup>st</sup> December 1998. Comparative figures for the Group are for the year ended 30<sup>th</sup> June 1998 and for the Company for the period from 3<sup>rd</sup> February 1998 to 30<sup>th</sup> June 1998.

### RESULTS FOR THE PERIOD

The results of the Group and the Company for the period to 31<sup>st</sup> December 1998 are shown in the profit and loss account on page 5. The Directors do not recommend the payment of a dividend (period to 30 June 1998: Nil).

### DIRECTORS

The Directors of the Company are shown on page 1. All of the Directors held office throughout the period with the exception of J R Sanders who resigned on 21<sup>st</sup> September 1998 and M J Levett who was appointed a Director and Chairman on 22<sup>nd</sup> February 1999. G Griffin and B A Marquard who held office throughout the period resigned on 31<sup>st</sup> December 1998 and 4<sup>th</sup> February 1999 respectively.

None of the Directors or members of their immediate family had any disclosable interest in the share capital of any Group undertaking at any time during the period.

No rights to subscribe for shares or debentures of the Company or any other Group Company was, during the period, granted or exercised by any of the directors or members of their immediate families.

### YEAR 2000

The business risks associated with the failure of computer systems to correctly recognise the year 2000 have been considered by the Board. A working group has been established by the Board to ensure that primary business operations will not be adversely affected as a result of the millennium.

A project plan has been established to deal with the complex issues which are part of the Year 2000 problem and includes customers, suppliers and other relevant parties. The Board is regularly informed of progress which to date has been in line with the plan.

The costs involved have not been separately quantified but are not expected to be material compared with the Company's normal expenditure levels.

### AUDITORS

In accordance with section 384 of the Companies Act 1985 a resolution proposing the reappointment of KPMG Audit plc as auditors of the Company will be put to Members at the Annual General Meeting.

By order of the Board



B Malone  
Secretary

22<sup>nd</sup> February 1999

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

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## DIRECTORS' AND AUDITORS' RESPONSIBILITIES

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### DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to ensure that:-

- suitable accounting policies are selected and consistently applied,
- reasonable and prudent judgements and estimates are made,
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping 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 financial statements have been properly prepared in accordance with applicable laws. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### AUDITORS' RESPONSIBILITIES

It is the responsibility of the Auditors to form an independent opinion, based on their audit of the financial statements, and to report that opinion to the members of the Company. A copy of the Auditors' Report is included on page 4.

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

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## AUDITORS' REPORT TO THE MEMBERS OF OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

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We have audited the consolidated financial statements on pages 5 to 12.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the Company's Directors are responsible for the preparation of the consolidated financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion to you.

### BASIS OF OPINION

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

### OPINION

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

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

22<sup>nd</sup> February 1999

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

## CONSOLIDATED AND COMPANY PROFIT AND LOSS ACCOUNT FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 1998

	Notes	Consolidated Period ended 31 Dec 98 £'000	Consolidated Year ended 30 June 98 £'000	Company Period ended 31 Dec 98 £'000	Company Period ended 30 June 98 £'000
Turnover	2	84,553	8,826	-	-
Cost of sales		76,179	-	-	-
		<u>8,374</u>	<u>8,826</u>	<u>-</u>	<u>-</u>
Administrative expenses		7,845	8,451	8	13
Operating income from exceptional item	3	344	-	-	-
Operating profit/(loss)	4	<u>873</u>	<u>375</u>	<u>(8)</u>	<u>(13)</u>
Interest receivable and similar income		215	322	-	-
Interest payable and similar charges		<u>11</u>	<u>4</u>	<u>-</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,077	693	(8)	(13)
Taxation	7	<u>347</u>	<u>302</u>	<u>(3)</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		730	391	(5)	(13)
Retained profit/(loss) brought forward		<u>1,428</u>	<u>1,038</u>	<u>(13)</u>	<u>-</u>
RETAINED PROFIT/(LOSS) CARRIED FORWARD		<u>2,159</u>	<u>1,429</u>	<u>(18)</u>	<u>(13)</u>

All the above amounts are in respect of continuing operations.

Neither the Group nor the Company had any recognised gains or losses other than the result for the period, and accordingly separate statements of recognised gains and losses are not presented.

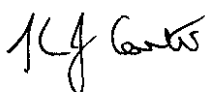
The notes on pages 7 to 12 form part of these financial statements

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

## CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	Consolidated 31 Dec 1998	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £000	Company 30 June 1998 £'000
<b>FIXED ASSETS</b>					
Tangible - fixed assets	8	994	1,100	-	-
Investment in subsidiaries	9	-	-	3,400	3,400
		994	1,100	3,400	3,400
<b>CURRENT ASSETS</b>					
Investments	10	112	248	-	-
Debtors	11	1,535	28,567	100	100
Cash at bank and in hand		6,774	6,164	-	-
		8,421	34,979	100	100
Creditors: amounts falling due within one year	12	3,238	30,756	18	13
<b>NET CURRENT ASSETS</b>		<u>5,183</u>	<u>4,223</u>	<u>82</u>	<u>87</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,177	5,323	3,482	3,487
Provision for liabilities and charges	13	518	394	-	-
		<u>5,659</u>	<u>4,929</u>	<u>3,482</u>	<u>3,487</u>
<b>CAPITAL AND RESERVES</b>					
Shareholder's funds:					
Called up share capital	14	3,500	3,500	3,500	3,500
Revenue Reserves		2,159	1,429	(18)	(13)
	15	<u>5,659</u>	<u>4,929</u>	<u>3,482</u>	<u>3,487</u>

Approved by the Board on 22<sup>nd</sup> February 1999



K J Carter

The notes on pages 7 to 12 form part of these financial statements

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

#### a) Basis of preparation

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

#### b) Change in Accounting Reference Date

In line with its ultimate parent, The Company has changed its accounting reference date from 30<sup>th</sup> June to 31<sup>st</sup> December. Accordingly the current set of financial statements are for the period from 1<sup>st</sup> July 1998 to 31<sup>st</sup> December 1998. Comparative figures for the Group are for the year ended 30<sup>th</sup> June 1998 and for the Company for the period from 3<sup>rd</sup> February 1998 to 30<sup>th</sup> June 1998.

#### c) Foreign Exchange

Foreign exchange transactions are translated into sterling using the rate of exchange ruling at the transaction date. Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising on retranslation are taken to the profit and loss account.

#### d) Taxation

Taxation is provided on all realised profits and income earned to date. Provision is made for deferred tax, using the liability method, on all timing differences that are likely to reverse.

#### e) Depreciation

Depreciation is charged in the financial statements so as to write off the cost of fixed assets over their useful lives using the following rates.

Computer Equipment	33%
Furniture and Fixtures	10-20%
Motor Vehicles	25%

#### f) Cash Flow Statement

The Company's ultimate parent undertaking prepares consolidated financial statements which are publicly available. Accordingly the Group and the Company has taken advantage of an exemption in Financial Reporting Standard 1 (Revised 1996) - 'Cash Flow Statements', and has dispensed with the requirement to prepare a cash flow statement.

### 2 TURNOVER

Turnover comprises:

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Sales and redemptions of units	76,179	-	-	-
Unit Trust Management Fees	5,009	741	-	-
Investment Management Fees	3,365	8,085	-	-
	<u>84,553</u>	<u>8,826</u>	<u>-</u>	<u>-</u>

Turnover from in specie transfers into the unit trusts managed by Fairbairn Fund Managers Limited has been excluded from the above. Had this been included the turnover for the 6 months to 31<sup>st</sup> December 1998 would have been £326,667,000 (Year to 30<sup>th</sup> June 1998: £2,034,811,000)

### 3 OPERATING INCOME FROM EXCEPTIONAL ITEM

The exceptional operating item in the current period comprises VAT recovered of £344,000.

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4 OPERATING PROFIT

This is stated after charging the following:

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Auditors' remuneration:				
Statutory audit	22	16	4	3
Other	17	14	-	-
	<u>39</u>	<u>30</u>	<u>4</u>	<u>3</u>
Depreciation of owned assets	<u>180</u>	<u>256</u>	<u>-</u>	<u>-</u>

### 5 DIRECTORS' EMOLUMENTS

Five of the Directors of the company who held office throughout the period performed most of their duties in respect of other group undertakings and their emoluments are disclosed in the financial statements of those companies.

	Company 31 Dec 1998 £000	Company 30 June 1998 £'000
Directors' emoluments	<u>9</u>	<u>3</u>

### 6 STAFF COSTS

The average number of persons (including Directors) employed by the Group during the period was 61 (30<sup>th</sup> June 1998: 42)

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Wages and salaries	2,243	3,658	-	-
Social security costs	162	308	-	-
Other pension costs	<u>123</u>	<u>206</u>	<u>-</u>	<u>-</u>
	<u>2,528</u>	<u>4,172</u>	<u>-</u>	<u>-</u>

The above payroll costs include other pension costs in respect of contributions made to the Old Mutual Staff Pension Fund (the "Fund") to which one of the operating companies within the Group is a participating employer. The Fund has a defined benefit section and, for staff who are members of it, the contributions are based on average pension costs across all members of that section. The Fund also has a defined contribution section and, for staff who are members of it, contributions amounted to 8% of relevant pensionable earnings.

The latest actuarial valuation of the defined benefit section was carried out on 1<sup>st</sup> January 1997 by an independent firm of actuaries.

The amount of other pension costs shown above is the aggregate of the contributions paid to the Fund under both of these schemes.



# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7 TAXATION

	Consolidated Period Ended 31 Dec 1998 £'000	Consolidated Year ended 30 June 1998 £'000	Company Period Ended 31 Dec 1998 £'000	Company Year ended 30 June 1998 £'000
UK corporation tax at 31%	401	368	(3)	-
Deferred taxation	(54)	(66)	-	-
	<u>347</u>	<u>302</u>	<u>(3)</u>	<u>-</u>

### 8 FIXED ASSETS - GROUP

	Computer Equipment £'000	Furniture & Fixtures £'000	Motor Vehicle £'000	Total £'000
<b>COST</b>				
At 1 <sup>st</sup> July 1998	782	610	-	1,392
Additions	66	2	7	75
Disposals	-	(1)	-	(1)
At 31 <sup>st</sup> December 1998	<u>848</u>	<u>611</u>	<u>7</u>	<u>1,466</u>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 <sup>st</sup> July 1998	219	73	-	292
Charge for the period	134	45	1	180
Disposals	-	-	-	-
At 31 <sup>st</sup> December 1998	<u>353</u>	<u>118</u>	<u>1</u>	<u>472</u>
<b>NET BOOK VALUE</b>				
31 <sup>st</sup> December 1998	<u>495</u>	<u>493</u>	<u>6</u>	<u>994</u>
30 <sup>th</sup> June 1998	<u>563</u>	<u>537</u>	<u>-</u>	<u>1,100</u>

# **OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **9 INVESTMENTS IN SUBSIDIARIES**

	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
COST		
At 1 <sup>st</sup> July 1998	3,400	-
Additions	<u>-</u>	<u>3,400</u>
At 31 <sup>st</sup> December 1998	<u>3,400</u>	<u>3,400</u>

At 31<sup>st</sup> December 1998 the Company owned the whole of the following subsidiary undertakings;

Subsidiary Undertaking	Place of Incorporation	Nature of Business	Class and Percentage of shares held
Old Mutual Asset Managers (UK) Limited	England	Investment Management	100% of ordinary shares
Fairbairn Fund Managers Limited	England	Unit Trust Managers	100% of ordinary shares

### **10 INVESTMENTS**

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Other Investments	<u>112</u>	<u>248</u>	<u>-</u>	<u>-</u>

The market value of the Investments at (31<sup>st</sup> December 1998 was £121,000; 30<sup>th</sup> June 1998 was £263,000).

### **11 DEBTORS**

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Trade Debtors	143	27,151	-	-
Amounts owed by group undertakings	631	1,026	100	100
Other debtors	356	67	-	-
Prepayments	<u>405</u>	<u>323</u>	<u>-</u>	<u>-</u>
	<u>1,535</u>	<u>28,567</u>	<u>100</u>	<u>100</u>

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12 CREDITORS: amounts falling due within one year

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Trade creditors	213	28,477	18	-
Amounts owed to group undertakings	565	341	-	-
Other creditors including taxation	2,221	1,634	-	-
Accruals and deferred income	239	304	-	13
	<u>3,238</u>	<u>30,756</u>	<u>18</u>	<u>13</u>

Included within Other creditors including taxation is £774,950 (30<sup>th</sup> June 1998: £472,255) relating to provisions for taxation, and £1,269,911 (30<sup>th</sup> June 1998: £1,126,372) relating to bonus provisions.

### 13 PROVISION FOR LIABILITIES AND CHARGES

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Other provisions	<u>518</u>	<u>394</u>	<u>-</u>	<u>-</u>

All of Other provisions relate to bonus provisions.

### 14 SHARE CAPITAL

	31 December 1998 £'000	30 June 1998 £'000
AUTHORISED:		
3,500,000 ordinary shares of £1 each	<u>3,500</u>	<u>3,500</u>
ISSUED, CALLED UP AND FULLY PAID:		
3,500,000 ordinary shares of £1 each	<u>3,500</u>	<u>3,500</u>

### 15 MOVEMENTS IN SHAREHOLDER'S FUNDS

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Shareholder's funds at 1 <sup>st</sup> July 1998	4,929	4,038	3,487	-
Share capital issued	-	500	-	3,500
Profit/(loss) for the period/year	<u>730</u>	<u>391</u>	<u>(5)</u>	<u>(13)</u>
Shareholder's funds at 31 <sup>st</sup> Dec 1998	<u>5,659</u>	<u>4,929</u>	<u>3,482</u>	<u>3,487</u>

The comparative figures shown above are pro forma figures.

# OLD MUTUAL ASSET MANAGERS HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 16 DEFERRED TAXATION ASSET

	Consolidated 31 Dec 1998 £'000	Consolidated 30 June 1998 £'000	Company 31 Dec 1998 £'000	Company 30 June 1998 £'000
Capital Allowances	-	(16)	-	-
Other timing differences	120	82	-	-
	<u>120</u>	<u>66</u>	<u>-</u>	<u>-</u>

The deferred taxation asset is included in Other Debtors

### 17 SEGMENT INFORMATION

The Directors consider there is only one business segment, - the provision of investment and unit trust management services in the United Kingdom.

### 18 RELATED PARTY TRANSACTIONS

The Company's ultimate parent undertaking prepares consolidated financial statements which are publicly available. Accordingly the Company has taken advantage of an exemption in Financial Reporting Standard 8 - "Related Party Transactions" and does not disclose transactions with other entities in the Old Mutual group.

### 19 PARENT UNDERTAKING

#### ULTIMATE PARENT UNDERTAKING

South African Mutual Life Assurance Society, incorporated in the Republic of South Africa, is the ultimate parent undertaking. Its financial statements are available from:

The Secretary, South African Mutual Life Assurance Society, Mutualpark, Pinelands  
Cape Town, Republic of South Africa.

#### IMMEDIATE PARENT UNDERTAKING

Old Mutual Asset Managers Holdings (Bermuda) Limited, incorporated in Bermuda is the immediate parent undertaking. Its financial statements are available from:

The Secretary, Old Mutual Asset Managers Holdings (Bermuda) Limited, Washington Mall, 22 Church Street, Hamilton HM11, Bermuda.