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Old Mutual Financial Services (UK) plc

Annual Report and Accounts

For the year ended 31st December 2000

2000



OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Annual Report and Accounts

For the year ended 31st December 2000

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Report of the directors continued

The directors present their report and the audited accounts of Old Mutual Financial Services (UK) plc and its subsidiaries ("the Group") for the year ended 31st December 2000.

Activities of the Group The Company carries on business as a holding and group management company. On 18th August 2000, the Company purchased the entire share capital of Gerrard Group plc from Old Mutual plc. From this date the results of Gerrard Group plc have been consolidated using acquisition accounting.

Change of name On 31 March 2000 the name of the Company changed from Old Mutual International Holdings (UK) plc to Old Mutual Financial Services (UK) plc.

Share Capital Changes in share capital during the year are set out in note 17 on page 23.

Review of the business Old Mutual plc purchased Gerrard Group plc on 10th March 2000. Following a group restructuring exercise, the Gerrard Group was transferred to Old Mutual Financial Services (UK) plc on 18th August 2000. Old Mutual Financial Services (UK) plc was created following the acquisition to be the holding company of the UK financial services businesses. Its governance structure provides strategic management and controls review for these subsidiaries.

The Old Mutual Financial Services (UK) plc (OMFS) Board has been created with key executives from OMFS companies and Old Mutual plc combined with four independent non-executives to achieve this purpose.

Old Mutual Financial Services (UK) plc's businesses include:

- Gerrard, the UK's largest private client investment managers;
- GNI Group, which provides foreign exchange, derivative broking and international stock lending;
- Old Mutual Securities, which provides institutional stockbroking and corporate finance services.

Since the original purchase in March 2000, significant work has been performed in integrating and developing the businesses. In particular the company's management teams have worked to integrate and merge the private client businesses of Capel Cure Sharp and Greig Middleton at all levels, and co-locate their operations in London and selected branches. In December, Greig Middleton and Capel Cure Sharp were re-branded under the 'Gerrard' name and are now under one management. The combined Gerrard business is the UK's largest high net worth private client asset manager, offering a wide range of discretionary, advisory and managed services from 31 different office locations.

Financial Results Operating profit was £12.3 million, before exceptional costs and goodwill amortisation incorporating a full year's contribution from Capel Cure Sharp and Old Mutual Securities and four month's contribution from Gerrard Group companies.

Gerrard Operating profit from the CCS business was adversely affected by regulatory and system issues. These issues resulted in changes of management of the business and substantial additional costs following the recruitment of temporary resources by the Group to manage the problem and rectify the issues involved.

The management team have been strengthened during the latter part of the year following the retirement of Richard Bernays. Stephen Clark was appointed Deputy Chief Executive and Chief Operating Officer of Gerrard in August and Clive Boothman was appointed Chief Executive in September 2000. A new Chief Financial Officer, Peter Meyer, was appointed in December 2000.

Report of the directors continued

The restructuring plan following the merger remains on track to secure improved revenue sources and future annualised cost savings of approximately £15 million from a total restructuring cost outlay of £25 million. As with any large integration, there are some hurdles to overcome over the short term, however, the directors are confident of meeting the challenges ahead.

During 2000 income continued to be strong and, in spite of flat to lower market and fee income levels, improved as charging structures were extended throughout our client base and clients moved toward more discretionary services. CCS unit trusts, (now rebranded as "Gerrard Investment Funds") performed well, particularly in the first quarter of the year.

Market conditions during the year to December 2000 were challenging as the APCIMS balanced benchmark fell by almost 5% and the FTSE fell by nearly 10%. Total funds under management at £20.9 billion increased 118% from £9.6 billion in 1999, principally through the acquisition of Greig Middleton. The overall level has been affected by the adverse market movements in 2000 and since the year end.

Over 2001, it is the intention in the continued integration of the Capel Cure Share and Greig Middleton businesses to produce a broader and enhanced range of both products and services and to leverage the now rebranded "Gerrard Investment Funds". Significant focus will also be placed on successful delivery of several key transaction processing and client service infrastructure projects.

GNI Trading in GNI's business has been satisfactory despite market conditions, which saw volumes at low levels in the post acquisition period. Operating profit of £2.9 million for the four-month period ending 31 December 2000 benefited from further development of equity products. GNI now houses the collateral management arm of Gerrard & King, the former discount house business of the Gerrard Group, which was substantially wound down at the end of 2000. GNI remains at the centre of technological innovation for the asset management division.

GNI Fund Management launched two guaranteed multi-advisor funds, GNI European Funds 1 and 2, in August and September. The two funds have a combined value of \$48 million. The funds provide investors with exposure to both equity derivatives and commodity futures trading, and both finished the year at new peaks.

Old Mutual Securities Old Mutual Securities (OMS) was launched in June 2000, following the combination of Greig Middleton's Corporate and Institutional and Albert E Sharp Securities businesses into one entity. Since then the group has developed a market making capability covering more than 300 stocks and gained 30 new corporate broking clients.

Revenues have increased strongly to £19 million from £9 million in 1999 reflecting the increased level of activity and product diversity. OMS benefited from high levels of activity in the early part of the year, particularly in the IT sector, however, this reduced in the second half of the year, when more traditional sectors came back into favour. Market-making in stocks started in February 2000 and have made a strong start.

Prospects remain good as our product range widens to cover all sectors that exhibit growth potential in the small and mid-cap areas.

Gerrard & King Gerrard & King's operating loss of £1.8 million for the four-month period is included in this year's results. However, following the announcement of its merger into GNI in November, Gerrard & King has been winding down its banking book. The stock borrowing and lending business operations of Gerrard & King have been combined with their equivalent in GNI.

Dividends The directors do not recommend the payment of a final dividend (1999: £nil). Movements in reserves are set out in note 18 on page 24.

Donations Total charitable donations made during the year amounted to £59,000 (1999: £7,000).

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Report of the directors continued

Directors The directors of the Company during the year were:

E E Anstee (Chairman)	
A J Ainsworth	(appointed 25 September 2000)
H Askari	(appointed 4 April 2000)
R O Bernays	(resigned 29 September 2000)
C N Blatchly	(resigned 10 May 2000)
C N Boothman	(appointed 6 September 2000)
N N Broadhurst	(appointed 3 October 2000)
K J Carter	(appointed 4 April 2000)
M E T Davies	(appointed 4 April 2000)
D J Dugdale	(appointed 3 October 2000)
R J Elkington	(appointed 3 October 2000)
T J R Gordon	(resigned 14 July 2000)
P M T Jones	(resigned 12 May 2000)
J C W Kent	(appointed 28 February 2000)
M J Levett	(appointed 8 February 2000)
C J L Moorsom	(resigned 15 May 2000)
F A R Packard	(appointed 4 April 2000)
J V F Roberts	(appointed 6 September 2000)
J Thornton	(appointed 6 September 2000)

Directors' interests in shares None of the directors had any interest in the share capital of the Company at any time during the year.

The group interests of Mr Anstee, Mr Broadhurst, Mr Levett and Mr Roberts are disclosed in the financial statements of Old Mutual plc.

The other Director's interests in the share capital of Old Mutual plc are as follows:

	Number of shares beneficially held	Restricted shares held	Under option at 31 December 2000	Exercised in the period	Granted in the period	Converted from Gerrard Group plc options	Under option at 1 January 2000 (or date of appointment, if later)
A J Ainsworth	-	144,800	144,800		-	-	144,800
C N Boothman	-	405,200	202,700		202,700	-	-
K J Carter	300	-	191,700		191,700	-	-
M E T Davies	2,000	-	338,911		129,900	209,011	-
R J Elkington	-	-	111,400	(209,011)	111,400	209,011	-
J C W Kent	2,416	-	135,330		122,900	-	12,430
J Thornton	3,458	40,310	134,920		-	-	134,920

None of the directors exercised any options in the share capital of Old Mutual plc during the year.

Options outstanding are exercisable between 2003 and 2006 at prices between 108.60p and 172.75p.

Mr Davies and Mr Elkington each had 45,000 options over shares in Gerrard Group plc at date of appointment. These options were converted into options over shares in Old Mutual plc on 7th April 2000.

In some instances, restricted shares are awarded to senior executives as part of a joining grant. These shares will be transferred into the employee's name during 2003 subject to the executive still being in employment within the Group on that date.

Report of the directors continued

The other director's interests in Old Mutual plc unsecured floating rate loan notes maturing in 2010 are as follows:

	At 31st December 2000		At 1 st January 2000 (or date of appointment, if later)	
	Beneficially held	Otherwise held	Beneficially held	Otherwise held
M E T Davies	20,175,247	-	20,175,247	-
R J Elkington	334,999	13,721	334,999	13,721

The other directors' interests in the shares of Old Mutual Group Achievements Limited (OMGA) are as follows:

	Date of grant	Number of shares	Option price Rand
K J Carter	1 October 1998	543,500	9.70
J C W Kent	18 January 1999	508,000	10.93
J Thornton	1 February 1999	616,200	9.95

Options outstanding are exercisable between 2001 and 2006.

Employee policies The Group considers that its employees are its most valuable resource, without whose commitment it would not achieve its objectives. The Group's employment policies are designed to create an environment which encourages employees to be aware of, and involved in, the performance of the Group.

To encourage employees to identify themselves more fully and directly with profitability, bonuses may be paid on the operating profits of the division for which an employee works. During the year, the Group has introduced long-term incentive plans for its principal subsidiaries that incentivise management to increase the performance of their business by sharing with them the additional value created over a three year period. The Group operates a number of savings-related Share Option Schemes, which were introduced from 1992, and also operates a company share option scheme which seeks to provide incentives to senior employees by offering them the opportunity to share in the success of the Group. Appropriate performance targets have been set which must be achieved before options granted under the latter scheme may be exercised.

The Group is committed to providing equal opportunities for all, irrespective of sex, ethnic origin, religious beliefs, disabilities, age or sexual orientation. The Board's aim is to encourage and assist in the employment, training, promotion and personal and career development of disabled people. The Group gives proper consideration to applications for employment when they are received from disabled people.

The Group is committed to providing high standards of health and safety performance within its businesses. A health and safety policy statement has been produced to emphasise the principle that active involvement and awareness by every employee are necessary if standards are to be achieved and maintained.

Report of the directors continued

Creditor payment policy The Group's current policy concerning the payment of its trade creditors is to:

- a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. At 31st December 2000 and throughout the year the Company itself had no trade creditors. Supplier payments are made by its subsidiaries. As such the numbers of creditor payment days were disclosed in the accounts of these subsidiaries.

Auditors A resolution to reappoint the auditors, KPMG Audit Plc and to authorise the directors to approve their remuneration, will be proposed at the Annual General Meeting.

By Order of the Board



NC Wallis
Secretary

2 April 2001

3rd Floor Lansdowne House
57 Berkeley Square
London W1J 6ER

Directors' statement of responsibility

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at anytime the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Auditors' report to the members of Old Mutual Financial Services (UK) plc

We have audited the financial statements on pages 8 to 27.

Respective responsibilities of directors and auditors The directors are responsible for preparing the directors' report and as described above, the financial statements, in accordance with applicable United Kingdom law and 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 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 with the Company is not disclosed.

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 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 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 at 31st December 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit plc
Chartered Accountants
Registered Auditor

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB

2 April 2001

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Consolidated Profit and Loss Account
For the year ended 31 December 2000

	Notes	2000 Continuing business £000	2000 Acquisition £000	2000 Total £000	1999 Total £000
Turnover	2	100,098	52,206	152,304	83,186
Other operating income		1,830	2,407	4,237	918
Net interest receivable	3	-	1,977	1,977	-
Operating income		101,928	56,590	158,518	84,104
Administrative expenses	4-5	(96,149)	(61,001)	(157,150)	(88,846)
Exceptional administrative expenses	7	(17,858)	(3,980)	(21,838)	(318)
Total administrative expenses		(114,007)	(64,981)	(178,988)	(89,164)
Operating loss		(12,079)	(8,391)	(20,470)	(5,060)
Profit on disposal of fixed asset investments				-	415
Other interest (payable)/receivable	6			(125)	118
Loss on ordinary activities before taxation	7			(20,595)	(4,527)
Tax credit /(charge) on loss on ordinary activities	8			1,161	(22)
Loss on ordinary activities after taxation /Retained loss for the year				(19,434)	(4,549)

Statement of Total Recognised Gains and Losses

	2000 £000	1999 £000
Group loss attributable to shareholders	(19,434)	(4,549)
Exchange translation differences	(3)	-
Total recognised losses relating to the year	(19,437)	(4,549)

There is no difference between either the operating loss on ordinary activities before tax or the retained loss stated above and their historical cost equivalents.

All profits and losses are generated from continuing operations.

The reconciliation of movements in equity shareholders' funds is set out in note 19 on page 24.

The profit and loss account includes the profit and loss of the Gerrard Group companies from 19th August 2000.

The notes on pages 11 to 27 are an integral part of these financial statements

OLD MUTUAL FINANCIAL SERVICES (UK) plc
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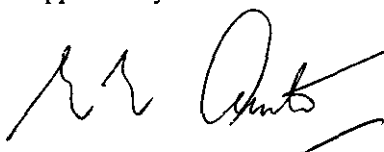
Consolidated Balance Sheet

As at 31 December 2000

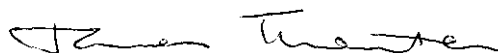
	Notes	£000	2000 £000	£000	1999 £000
Fixed assets					
Intangible fixed assets	9		430,376		89,649
Tangible fixed assets	10		20,363		3,743
Fixed asset investments	11		11,548		311
			462,287		93,703
Current assets					
Debtors	12	5,767,714		82,929	
Investments	13	944,827		182	
Cash at bank and in hand		110,955		45,639	
		6,823,496		128,750	
Creditors: amounts falling due within one year	14	(6,625,474)		(94,690)	
Net current assets			198,022		34,060
Total assets less current liabilities			660,309		127,763
Creditors: amounts falling due after more than one year	15		(154,671)		(37,224)
Provisions for liabilities and charges	16		(23,116)		(2,143)
			482,522		88,396
Capital and Reserves					
Called up share capital	17		518,563		105,000
Profit and loss account	18		(36,041)		(16,604)
Equity shareholders' funds	19		482,522		88,396

These accounts were approved by the Board of Directors on 2 April 2001 and signed on its behalf by:

E E Anstee
Chairman



J Thornton
Finance director



The notes on pages 11 to 27 are an integral part of these financial statements.

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Company Balance Sheet
As at 31 December 2000

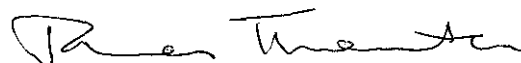
	Notes	£000	2000 £000	£000	1999 £000
Fixed Assets					
Fixed asset investments	11		580,486		61,362
Current Assets					
Debtors	12	88,439		78,491	
Cash at bank and in hand		2,391		3,147	
		90,830		81,638	
Creditors: amounts falling due within one year	14	(7,047)		(2,746)	
Net current assets			83,783		78,892
Total assets less current liabilities			664,269		140,254
Creditors: amounts falling due after more than one year	15		(152,028)		(37,103)
			512,241		103,151
Capital and Reserves					
Called up share capital	17		518,563		105,000
Profit and loss account	18		(6,322)		(1,849)
Equity shareholders' funds	19		512,241		103,151

These accounts were approved by the Board of Directors on 2 April 2001 and signed on its behalf by:

E E Anstee
Chairman



J Thornton
Finance director



Notes to the financial statements at 31 December 2000

1 Accounting Policies

Basis of preparation The accounts of the Company and the Group have been prepared under the historical cost convention, in accordance with applicable UK Accounting Standards and in accordance with Schedule 4 of the Companies Act 1985 except as explained below. It is not practicable to quantify the effect on the accounts of these departures since information on original cost being of no continuing relevance to the business, is not readily available.

Marketable securities, loans and deposits held by the Group as current trading assets or liabilities are stated at market value, and included on a trade date accounting basis. Profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year of the Group, since the marketability of the securities enables decisions to be taken continually about whether to hold or sell them, and hence the economic measure of profit in any period is properly made by reference to market values.

Cost of sales and gross profit do not have any meaningful equivalents in the securities business and are therefore not shown in the profit and loss account.

Basis of consolidation The consolidated financial statements include the results of the Company and its subsidiary undertakings. All companies within the Group make up their financial statements to the same date, 31 December.

Acquisitions of consolidated subsidiary undertakings have been accounted for by the acquisition method of accounting.

Fees and commissions Fees and commissions are included in the profit and loss account on an accruals basis.

Operating lease rentals Costs in respect of operating leases are charged on a straight line basis over the lease term.

Pensions and other post-retirement benefits The Group has contributed to defined contribution schemes in respect of the majority of its employees. The pension costs for these funds are charged directly to the profit and loss account in the accounting period in which they are incurred.

The defined contribution schemes have assets which are held separately from those of the companies involved, and are independently administered.

The Group has also contributed to defined benefit schemes for certain employees of the Company and certain former employees of King & Shaxson Limited, Allied Provincial Securities Limited and Gerrard & King Limited now employed within GNI Holdings Limited and Greig Middleton Holdings Limited and its subsidiaries respectively.

For the defined benefit schemes actuarial valuations are undertaken on a regular basis. The contributions paid into the schemes, at rates recommended by qualified actuaries, are charged directly to the profit and loss account. Variations from the regular costs, where applicable, are spread over the remaining service lives of current employees in the schemes.

The future costs of providing other post-retirement benefits are determined by actuarial valuation.

Current asset investments Current asset investments are marked to market and are included on a trade date basis. Other non-trading investments are held at the lower of cost and net realisable value.

Notes to the financial statements at 31 December 2000

1 Accounting Policies continued

Assets and liabilities borrowed and lent or subject to repurchase arrangement Securities borrowed under agreements to return the securities to the counterparty, and securities lent under agreements to have the securities returned to the Company are treated as collateralised lending and borrowing transactions.

Repurchase arrangements are treated as financing transactions. Securities purchased under such arrangements are treated as secured loans, and securities sold are treated as secured deposits.

Deferred taxation Provision is made for taxation deferred as a result of differences in the timing of the recognition of income and expenditure for accounting and taxation purposes, unless the asset or liability is unlikely to crystallise.

Foreign currency translation Foreign currency assets and liabilities are translated into sterling at the rates ruling at the year end. Income and expenditure in foreign currency is translated at an annual average rate and differences on exchange arising from such translation are included in the profit and loss account. Differences on exchange arising from the retranslation of the opening reserves of foreign subsidiaries are taken directly to reserves.

Tangible fixed assets Tangible fixed assets are depreciated on a straight line basis. Leasehold improvements are depreciated over the shorter of their expected useful lives and the length of lease. The rates of depreciation on other assets are as follows:

Equipment, fixtures and fittings	20% – 100%
Motor vehicles	25%

Software development Software development costs, including purchased software, licenses, and external consultants costs are capitalised and amortised over a period of up to three years. Other costs are expensed in the profit and loss account in the period in which they are incurred.

Finance leases Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Provision for unoccupied property Provision is made on a discounted basis for the future rent expenses and related costs of leasehold property (net of estimated rental income) where the space is permanently surplus to the future requirements of the Group.

Fixed asset investments Market memberships consist of payments made to acquire seats as members of futures markets and other obligations related to such memberships, both in the UK and overseas. These, and other fixed asset investments, are stated at cost less any impairment in value.

Goodwill Goodwill arising on the acquisition of subsidiary undertakings, being the difference between cost and the fair value of net assets acquired is held on the balance sheet and amortised over a twenty year period. Goodwill written off directly to reserves in previous accounting periods has not been reinstated.

Notes to the financial statements at 31 December 2000

1. Accounting Policies continued

Turnover An investment management business has no equivalent to sales, cost of sales and gross profit. Turnover therefore comprises:

- i) gross commission and other income from acting as agent in investment business, less commissions paid away to external introducers of business;
- ii) fee income from investment management and advisory services;
- iii) fee income from domestic and international equity borrowing and lending
- iv) derivative broking
- v) corporate finance fees.

Turnover is stated exclusive of Value Added Tax.

Balances with clients and counterparties In accordance with market practice balances with clients, Stock Exchange member firms and settlement offices are included in debtors and creditors gross for their unsettled bought and sold transactions respectively.

Clients' deposits The Group holds money on behalf of clients in accordance with the Client Money Rules of The Securities and Futures Authority. Such monies and the corresponding liability to clients are not shown on the face of the balance sheet as the Group is not beneficially entitled thereto. The amount held on behalf of clients at the financial year end is stated in note 12.

Cash flow statement The Company's ultimate parent undertaking prepares consolidated financial statements which are publicly available. Accordingly the Company has taken advantage of an exemption in FRS1 - Cash Flow Statements, and has dispensed with the requirement to prepare a cash flow statement.

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Notes to the financial statements at 31 December 2000 (continued)

	2000 £000	1999 £000
2. Turnover		
Agency dealing commissions and other income	63,096	41,942
Investment management and advisory fees	68,455	37,850
Securities borrowing and lending	2,700	-
Derivatives broking	8,661	-
Corporate finance fees	9,392	3,394
	152,304	83,186

In the opinion of the directors the profits of the Group are derived substantially from UK operations, and the assets and liabilities of the Group reside substantially within the UK. No other geographical category is material in terms of disclosure in these accounts.

	2000 £000	1999 £000
3. Net interest receivable		
Interest receivable and similar income	114,828	-
Interest payable and similar charges on borrowings repayable within 5 years	(112,851)	-
	1,977	-

	2000 Number	1999 Number
4. Employee information		
a) The average number employed by the Group, including directors, within each category of business was:		
Broking, dealing and corporate finance	542	325
Administration and settlement staff	776	516
	1,318	841

The average number of employees includes the Gerrard Group employees from 19th August 2000. The number employed by the Group at 31st December 2000 was:

	2000 £000	1999 £000
Broking, dealing and corporate finance	1,146	
Administration and settlement staff	1,163	
	2,309	
b) The costs for the year incurred in respect of these employees were:		
Wages and salaries	65,346	40,519
Social security costs	7,958	4,339
Other pension costs (note 7)	3,768	2,628
Other staff costs	2,811	2,106
	79,883	49,592

Notes to the financial statements at 31 December 2000 (continued)

5. Directors

a) The total emoluments paid to Directors by the Company and its subsidiary undertakings were as follows:

	2000 £000	1999 £000
Fees	43	8
Management remuneration	1,564	1,105
Pensions	23	35
	1,630	1,148

Two directors are members of money purchase schemes.

The emoluments, of the highest paid director are:

341	348
-----	-----

No pension contributions were made to either a defined benefit or a money purchase scheme in respect of the highest paid director.

The highest paid director did not exercise any share options during the year.

b) Directors are entitled to deal in securities through Gerrard Limited in accordance with that Company's personal account dealing rules. These provide that directors receive the same terms as clients except that they are entitled to reduced commission rates and they must have sufficient funds to cover any settlement liability at the time of the transaction.

	2000 £000	1999 £000
6. Other interest receivable		
Interest receivable and similar income	5,733	3,405
Interest payable on subordinated loan from Old Mutual plc	(5,573)	(913)
Interest payable on finance leases	(84)	(13)
Other interest income	(201)	(2,361)
	(125)	118

Notes to the financial statements at 31 December 2000 (continued)

	2000 £000	1999 £000
7. Analysis of Operating Results		
Operating Profit	12,330	447
Amortisation of goodwill	(10,962)	(5,189)
Exceptional administrative expenses	(21,838)	(318)
Operating loss	(20,470)	(5,060)
The operating loss on ordinary activities before taxation is arrived at after charging:		
Amortisation of goodwill	10,962	5,189
Depreciation of owned assets	4,496	1,733
Depreciation of assets held under finance leases	432	657
Auditor's remuneration – audit work	488	285
Auditor's remuneration – non audit work	251	171
Operating lease rentals – plant and equipment	521	658
Operating lease rentals – other	6,131	3,801

Exceptional administrative expenses include reorganisation and integration expenses of £14,238,000 (1999: £318,000) and a provision relating to pension misselling of £7,600,000 (see note 16).

The auditors remuneration for the year relating to the Company was paid by another group subsidiary and totalled £19,100 (1999: £21,000)

The Group has contributed to defined contribution schemes for the majority of its employees, however a number of employees are members of a defined benefit scheme, with assets held in separate trustee administered funds. Not all Group employees are members of a pension scheme.

A number of employees of the Gerrard Group are members of a defined benefit scheme. The Gerrard & National Retirement Benefit Scheme was last assessed by a professionally qualified independent actuary as at 1st April 2000. The scheme's assets were valued at market prices and its liabilities were assessed using the attained age method of valuation. The assumptions which have the most significant effects on the results of the valuation are those relating to the future return on investments and the future rates of increases in salaries and pensions. It has been assumed that the investment return would be at a rate of 7% per annum compound, that salary increases would average 6% per annum, inclusive of an allowance for promotional increases and that pensions would increase at 3.5% per annum. At the date of the latest actuarial valuation, the market value of the scheme's assets, including annuity contracts purchased by the Trustees was £63,000,000, which was sufficient to cover 124% of the benefits that had accrued to members after allowing for future increases in earnings. The excess of the actuarial value of those assets over benefits that had accrued to members, is being spread over the average remaining service lives of current employees by reducing contributions to the scheme. The scheme is closed to new members. The pension cost to the group of this defined benefit scheme amounted to £35,000 (1999: £nil).

Certain employees of the Greig Middleton Group are also members of a defined benefit scheme. Pension costs of the Greig Middleton Group defined benefit pension scheme are assessed in accordance with the advice of professionally qualified actuaries using the projected unit method. Actuarial valuations of this scheme are performed triennially. The most recent valuation was made as at 31st March 1998, and the assumptions which had the most significant effect on the results of this valuation were that investment returns would be 9% per annum, salary increases would be 7% per annum and that dividend growth would be 4.5% per annum compound. At the date of the most recent actuarial valuation the total value of the scheme assets was sufficient to cover 107% of the benefits which had accrued to pension scheme members after allowing for future increases in earnings. The total market value of assets including the value of annuity contracts already purchased for existing pensioners was £13,000,000 as at the date of the most recent actuarial valuation. The pension cost to the group for this scheme is £281,000 (1999: £nil). The scheme is closed to new members.

For defined contribution schemes the pension cost is accounted for on an accruals basis. There were no material amounts outstanding at the year end. The total pension cost for the various defined contribution schemes amounted to £3,452,000 (1999: £2,628,000).

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Notes to the financial statements at 31 December 2000 (continued)

	2000 £000	1999 £000
8. Tax credit / (charge) on loss on ordinary activities		
Taxation is based on the loss as adjusted for tax purposes for the year and comprises:		
UK Corporation tax credit at a rate of 30% (1999: 30.25%)	174	-
Tax credits on franked investment income	-	(11)
Write off of ACT not surrendered	-	(39)
Overseas tax	(94)	-
	80	(50)
Adjustments made to prior years	1,081	28
	1,161	(22)
		2000 £000
9. Goodwill: Group		
Cost		
Brought forward at 1 January 2000		98,094
Adjustment in respect of previous acquisition		1,220
Goodwill arising on acquisition of Gerrard Group plc (note 22)		350,469
Carried forward at 31 December 2000		449,783
Amortisation		
Brought forward at 1 January 2000		8,445
Charge for the year		10,962
Carried forward at 31 December 2000		19,407
Net book value at 31 December 2000		430,376
Net book value at 31 December 1999		89,649

Notes to the financial statements at 31 December 2000 (continued)

10. Tangible fixed assets: Group

	Short leasehold improvements £000	Equipment, Fixtures & fittings £000	Motor Vehicles £000	Total £000
Cost				
Brought forward at 1 January 2000	617	5,629	486	6,732
Arising on acquisition	2,629	12,552	1,655	16,836
Other additions	183	4,488	314	4,985
Disposals	-	(1,373)	(312)	(1,685)
Carried forward at 31 December 2000	3,429	21,296	2,143	26,868
Depreciation				
Brought forward at 1 January 2000	92	2,711	186	2,989
Charge for the year	376	4,275	276	4,928
Disposals	-	(1,132)	(279)	(1,412)
Carried forward at 31 December 2000	468	5,854	183	6,505
Net book value at 31 December 2000	2,961	15,442	1,960	20,363
Net book value at 31 December 1999	525	2,918	300	3,743

The total net book value of assets held under finance leases at the year end was £1,725,000 (31 December 1999: £615,000).

11. Fixed asset investments: Group

	Market Memberships £000	Unlisted £000	Other £000	Total £000
Cost				
Brought forward at 1 January 2000	-	301	10	311
Arising from acquisitions	9,045	945	175	10,165
Other additions	1,001	49	-	1,050
Foreign exchange movement	169	24	-	193
Disposals	-	(146)	-	(146)
Carried forward at 31 December 2000	10,215	1,173	185	11,637
Provisions				
Brought forward at 1 January 2000	-	-	-	-
Disposals	-	-	25	25
Carried forward at 31 December 2000	-	-	25	25
Net book value at 31 December 2000	10,215	1,173	160	11,548
Net book value at 31 December 1999	-	301	10	311

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Notes to the financial statements at 31 December 2000 (continued)

Fixed asset investments: Company

Subsidiary undertakings
£000

Cost and net book value

Brought forward at 1 January 2000	61,362
Acquisitions – Gerrard Group plc	518,653
Adjustment to the amount of deferred consideration payable on a previous acquisition	471

Carried forward at 31 December 2000	580,486
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The Group's principal operating subsidiaries are as follows:

	<u>Percentage owned at 31st December 2000</u>	<u>Description of shares</u>	<u>Principal country of operation</u>
Greig Middleton Holdings Limited and Gerrard Management Services Limited (formerly Capel Cure Sharp (Holdings) Limited) and its subsidiary undertakings carry on business as private client and institutional stockbrokers, fund managers and providers of related financial services.	100	£1 ordinary	UK
GNI Holdings Limited and its subsidiary undertakings carry on business as brokers and fund managers in the derivatives, securities and foreign exchange markets. The company also carries on the trade of international bond lending and borrowing.	100 100 100	10p deferred £1 preference US\$0.01 warrants	UK
Old Mutual Securities Limited provide corporate finance services and are institutional brokers.	100	15p ordinary	UK
King & Shaxson Bond Brokers Limited carries on business as brokers in UK gilts and other UK bonds.	100	£1 ordinary	UK
Gerrard & King Limited carried on business through the year as a specialist bank. Towards the end of the year, the stock borrowing and lending operations of the Company were combined with their equivalent in GNI Limited and the banking operations were ceased.	100	25p ordinary	UK

The preference shares held in GNI Holdings Limited are convertible redeemable preference shares.

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Notes to the financial statements at 31 December 2000 (continued)

12. Debtors	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Amounts falling due within one year				
Trade debtors	406,703	69,475	-	-
Net amounts available in segregated accounts	39,874	-	-	-
Loans and advances	132,970	-	-	-
Secured stock borrowing	4,640,071	-	-	-
Securities purchased under agreement to resell	518,253	-	-	-
Prepayments and accrued income	19,744	3,015	-	-
Amounts owed by subsidiary undertakings	-	-	87,864	78,467
Taxation recoverable	-	-	575	-
Other debtors	10,099	10,439	-	24
	5,767,714	82,929	88,439	78,491

Loans and advances include loans by a banking subsidiary undertaking to one director of the Company amounting to £50,000 (1999: £nil).

Net amounts available in segregated accounts comprise cash, amounts due from brokers and amounts due to and from clients in respect of the futures and options broking business.

Client settlement money and client free money arising from the stockbroking business which is in the process of being paid to clients or transferred to their deposit accounts is included in the balance sheet.

In accordance with the requirements of the Securities and Futures Authority's client money regulations, bank deposits held on behalf of clients, which are kept in client deposit accounts, are excluded from the balance sheet. These deposits amounted to £900,515,150 (1999: £374,832,000).

Included within other debtors are amounts due after more than one year of £1,458,000 (1999: £nil).

13. Current asset investments: Group

	2000 £000	1999 £000
Treasury bills and other eligible bills	41,541	-
Long stock position held for hedging purposes	346,833	-
Debt securities	553,124	-
Equity securities – unlisted	3,000	-
Equity securities – listed on a recognised stock exchange	216	-
Units in authorised unit trusts	113	182
	944,827	182

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Notes to the financial statements at 31 December 2000 (continued)

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
14. Creditors: Amounts falling due within one year				
Group				
Bank loans and overdrafts	29,347	8,406	-	-
Secured deposits	1,996,429	-	-	-
Unsecured deposits	11,267	-	-	-
Trade creditors	405,512	63,628	-	-
Securities sold under agreement to repurchase	383,821	-	-	-
Secured stock lending	3,349,332	-	-	-
Corporation tax	7,266	456	-	-
Other taxation and social security	7,752	4,709	-	199
Short positions in securities	241,405	-	-	-
Amounts owed to group undertakings	4,241	-	-	-
Finance lease creditors	756	232	-	-
Deferred consideration	996	-	996	2,547
Other creditors	124,856	6,158	-	-
Accruals and deferred income	62,494	11,101	398	-
Amounts due to parent undertaking	-	-	5,653	-
	6,625,474	94,690	7,047	2,746

Included in bank loans and overdrafts is a £1,000,000 nominal of subordinated loan stock repayable on 31st July 2001 (see note 15).

Dealing securities and securities received against money and stocks lent to third parties are used to secure deposits, repurchase liabilities and borrowed stock amounting to £5,729,582,000 (1999: £nil).

Secured creditors

Guaranteed loan notes of £2,028,000 (1999: £2,103,000) are backed by a cash deposit of £2,422,682 (1999: £2,484,000) at Nedcor Bank's London branch (note 15).

A £6 million bank loan from Bank of Scotland is secured by a first debenture over the whole assets and undertakings, including uncalled capital, of Albert E Sharp Holdings plc, a subsidiary undertaking.

OLD MUTUAL FINANCIAL SERVICES (UK) plc
(Formerly Old Mutual International Holdings (UK) plc)

Notes to the financial statements at 31 December 2000 (continued)

15. Creditors: Amounts falling due after more than one year

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Guaranteed unsecured loan notes: interest at 1% below LIBOR repayable 31 December 2004	2,028	2,103	2,028	2,103
Subordinated loan stock (see (a) and (b) below)	151,800	35,000	150,000	35,000
Obligations under finance leases	843	31	-	-
Other loans	-	90	-	-
	154,671	37,224	152,028	37,103

Subordinated loan stock repayable as follows:

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
a) £115,000,000 Old Mutual plc 2010	115,000	-	115,000	-
b) £35,000,000 Old Mutual plc 2004	35,000	35,000	35,000	35,000
c) £500,000 annually from 31 st July 1998, final £400,000 payment due 31 st July 2003	900	-	-	-
d) £250,000 annually from 31 st July 1998, final £200,000 payment due 31 st July 2003	450	-	-	-
e) £250,000 annually from 31 st July 1998, final £200,000 payment due 31 st July 2003	450	-	-	-
	151,800	35,000	150,000	35,000

The loans from Old Mutual plc are to Old Mutual Financial Services (UK) plc and interest is charged at 0.75% above LIBOR. The loans (c) to (e) are to Gerrard Limited, and interest is charged on the above loans at Royal Bank of Scotland plc base rate plus 2%. Early repayment is possible only with the permission of the SFA.

The subordinated loan from Old Mutual plc does not rank for any distribution in the winding up of the Company until all other creditors have been paid in full. The loan may not be repaid unless normal prior approval has been given by the Financial Services Authority, or its successor regulatory body. The interest is borne at three monthly LIBOR plus 0.75%.

The interest rate payable on the loan notes is six month LIBOR less 1%, and capital repayments are made on 30 June and 31 December.

The other loan is interest free and is only repayable when a subsidiary of the Albert E Sharp group is wound up.

Notes to the financial statements at 31 December 2000 (continued)

16. Provisions for liabilities and charges: Group

	Deferred tax £000	Post- retirement health care £000	Unoccupied property provisions £000	Pension mis-selling £000	Total £000
Brought forward at 1 January 2000	-	-	2,413	-	2,143
Arising on acquisition	423	1,734	11,215	-	13,372
Released to the profit & loss account during the year	(423)	-	(600)	-	(1,023)
New provisions charged to the profit & loss account during the year	-	-	1,024	7,600	8,624
Carried forward at 31 December 2000	-	1,734	13,782	7,600	23,116

No foreseeable deferred tax had been unprovided for in the financial statements at the end of the year.

At 31st December 2000 full provision has been made for liabilities in respect of post-retirement healthcare in accordance with the advice of a qualified actuary.

The property provisions relate to the cost of properties leased but not occupied by the Old Mutual Financial Services (UK) plc Group. In determining these provisions assumptions have been made as to the amounts of future rentals receivable and the level of dilapidation payments. These amounts have been discounted at a rate which reflects the current assessment of the time value of money.

The provision for pension misselling is based on management's estimate of the average cost of recompense per case, and the number of cases requiring recompense.

17. Called up share capital

	2000 £000	1999 £000
Authorised		
750,000,000 ordinary shares of £1 each	750,000	115,000
Allotted and fully paid		
518,563,000 ordinary shares of £1 each	518,563	105,000

During the year, the Company issued additional share capital of 413,563,000 ordinary £1 shares as consideration for the acquisition of Gerrard Group plc (see note 22).

Notes to the financial statements at 31 December 2000 (continued)

18. Profit and loss account reserves

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
At beginning of year	(16,604)	(12,055)	(1,849)	168
Retained loss for the year	(19,437)	(4,549)	(4,473)	(2,017)
At end of year	(36,041)	(16,604)	(6,322)	(1,849)

The amount dealt with in the consolidated profit and loss account in respect of the Company is a loss after taxation of £4,473,000 (1999: £2,017,000).

The Company has taken advantage of the exemption available under Section 230 of the Companies Act 1985 and, accordingly, a profit and loss account for the Company is not presented.

19. Movements in shareholders' funds

	Group 2000 £000	Company 2000 £000
Shareholders' funds at beginning of year	88,396	103,151
Proceeds from share capital issue	413,563	413,563
Retained loss for the year	(19,437)	(4,473)
Shareholders' funds at end of year	482,522	512,241

20. Financial Commitments

	2000 £000	1999 £000
a) Operating Leases: Group		
The annual rental commitments under operating leases entered by certain subsidiary undertakings of the Group are as follows:		
Land and buildings:		
Expiring within one year	137	294
Expiring between one and five years	5,713	276
Expiring after five years	6,076	4,357
	11,926	4,927
Other operating leases:		
Expiring within one year	58	118
Expiring between one and five years	431	447
b) Finance Leases: Group		
The net finance lease obligations to which certain subsidiaries of the Group is committed are:		
Expiring within 1 year	756	232
Expiring between one and five years	843	31
	1,599	263

Notes to the financial statements at 31 December (continued)

21. Contingent liabilities

In the ordinary course of business, Capel Cure Sharp Limited has given letters of indemnity in respect of lost certified stock transfers and share certificates, and has insured against any liability that might arise on indemnities given during the year. As members of the Financial Services Authority Limited the Group is potentially liable to make contributions to the Securities and Investment Board Investor Protection Scheme. The contingent liability arising therefrom cannot be quantified and the Company has insured against any liability that might arise on indemnities given during the year. Capel Cure Sharp Limited is involved in two regulatory investigations that may or may not result in financial and/or other penalties. The contingent liability arising therefrom cannot be quantified.

On 5th March 2001, Old Mutual Financial Services (UK) plc, issued a guarantee in favour of GNI Limited, a subsidiary undertaking. Under this guarantee, Old Mutual Financial Services (UK) plc guarantees the payment of all GNI Limited's obligations and liabilities entered into before 31st March 2003, including those obligations and liabilities pre-existing at the time of issuing the guarantee.

A copy of the guarantee is attached at the end of these financial statements.

22. Acquisitions

Gerrard Group plc

The acquisition of Gerrard Group plc by the Company took place on 18th August 2000 and the acquisition method of accounting has been adopted. Accordingly the results of Gerrard Group plc have been included from this date.

The analysis of net assets acquired and the fair value to the Group is as follows:

	Book value £000	Fair Value Adjustment £000	Fair value £000
Tangible fixed assets	17,698	(862)	16,836
Fixed asset investments	10,165	-	10,165
Debtors	14,130,630	-	14,130,630
Investments	7,584,331	-	7,584,331
Cash at bank	123,036	-	123,036
Creditors and provisions	(21,685,394)	(11,420)	(21,696,814)
Net assets	180,466	(12,282)	168,184
Consideration:			
Shares allotted			413,563
Cash			105,090
Total consideration			518,653
Total goodwill arising on acquisition			350,469

Notes to the financial statements at 31 December 2000 (continued)

Explanatory notes:

Fixed assets

This fair value adjustment relates to an accounting policy alignment to reflect the application of the depreciation policies of the Old Mutual plc.

Creditors and provisions

Of the total figure of £11,420,000, £2,480,000 relates to provisions for onerous contracts, £6,132,000 relates to a long term incentive plan for executives in connection with the acquisition, and £1,929,000 relates to prior year tax adjustments. The balance reflects the outcome of an examination of the accounts on acquisition which identified a number of items that had not been adequately provided.

The summarised profit and loss account and statement of total recognised gains and losses of Gerrard Group plc for the period 1 April 2000 to 17 August 2000, being the period from the beginning of its financial year to the effective date of acquisition, are disclosed below.

Also disclosed below is the summarised profit and loss account for the financial year ended 31 March 2000.

	Period 1 April 2000 to 17 August 2000 £000	Year ended 31 March 2000 £000
Turnover	75,345	204,698
Profit before tax	15,631	33,748
Tax	(5,532)	(10,924)
Minority interest	-	(38)
Profit after tax for the financial period	10,099	22,786
Statement of total recognised gains and losses		
Profit for the period	10,099	22,786
Currency translation	29	116
Total recognised gains relating to the period	10,128	22,902

23. Related Party Transactions

- a Capel Cure Sharp Limited earned investment management and associated administration fees during the year of £60,000 (1999: £75,000) from the pension scheme of Capel Cure Sharp (Holdings) Limited.
- b Transactions between related parties and the Group's banking subsidiary, Gerrard & King Limited, are covered by a duty of confidentiality imposed by operation of law and accordingly are not disclosed.
- c Certain directors and senior managers have personal account dealing arrangements with Group companies. All dealings are on normal commercial terms and are not considered material for either party.

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

Notes to the financial statements at 31 December (continued)

Parent Undertakings

Ultimate parent undertaking

The Company's immediate parent undertaking is Old Mutual International Holdings Limited. The ultimate parent undertaking is Old Mutual plc, incorporated in England. This is the highest UK group of undertakings for which consolidated financial statements are drawn up as at 31 December 2000. Copies of both of these financial statements are available from:

The Secretary, Old Mutual plc, 3rd Floor, Lansdowne House, 57 Berkeley Square, London W1J 6ER.

Copy of Guarantee from Old Mutual Financial Services (UK) plc in favour of GNI Limited

This instrument is executed by way of deed poll on 5th March 2001 by Old Mutual Financial Services (UK) plc (registered in England and Wales No. 3456361) whose registered office is at 3rd Floor, Lansdowne House, 57 Berkeley Square, London W1J 6ER (the "Guarantor")

Whereas GNI Limited, a company incorporated in England and Wales (number 1007530) whose registered office is at Cannon Bridge, 25 Dowgate Hill, London EC4R 2GN ("GNI"), has requested the Guarantor and the Guarantor has agreed to guarantee payment of all Obligations (as hereinafter defined) of GNI in accordance with, and as limited by, the terms and conditions of this Deed (the "Guarantee")

Now therefore the Guarantor hereby covenants and agrees as follows:

One

In this Guarantee, unless the context otherwise requires:

"Creditor" means any person (other than GNI or any subsidiary of GNI (as defined in section 736 of the Companies Act 1985 ("the Act"))) or any individual who is a connected person of GNI within the meaning of section 346 of the Act) to whom an Obligation is from time to time owed;

"Obligation" means any obligation or liability, either primary or contingent, lawfully incurred by GNI to any person on or before 31st March 2003 (whether before or after the execution of this Guarantee) under or in respect of any dealing, transaction or engagement whatsoever and payments of interest due from GNI with respect to any Obligation (whether or not the liability to pay such interest arises on or before 31st March 2003) together with all reasonable costs, commissions and other expenses incurred by any person in connection with the enforcement of this Guarantee and, for the avoidance of doubt, "Obligations" shall include any such obligation or liability assumed under or incurred pursuant to any novation, transfer, assignment or other similar agreement between GNI and any other person and references in this definition to "GNI" shall include persons whose obligations or liabilities have been so assumed by GNI; "person" means any person, firm, trust estate, corporation, association, cooperative, government or government agency or other entity.

Two

The Guarantor hereby unconditionally and irrevocably guarantees, for the benefit of each Creditor, in accordance with the terms and conditions of this Guarantee, the full payment by GNI when due (whether at stated maturity, upon acceleration or otherwise) of each and every Obligation and in the event that GNI shall default in the due and punctual payment of any Obligation, undertakes to pay, or procure the payment of, such Obligations in the currency in which the particular Obligation is denominated in the case of a payment upon written demand being made against the Guarantor under this Guarantee by the relevant Creditor.

b) The Guarantor waives any right it may have of first requiring any Creditor to make demand, proceed or enforce any rights or security against GNI or any other person before making a claim against the Guarantor under this Guarantee.

Three

A Creditor shall only be entitled to take or obtain the benefit of this Guarantee upon the condition that, after receipt by the Guarantor of a written demand from the Creditor, the Guarantor shall be entitled to deal with the Creditor, and the Creditor shall be obliged to deal with the Guarantor with respect to the obligation due to the Creditor and this Guarantee without the necessity or duty to rely on, act through or otherwise involve or deal with GNI, to the intent that the Guarantor and the Creditor shall deal with one another as principals in relation to the same, provided that the rights, powers, privileges and remedies of the Creditor under this Guarantee shall not thereby be in any way limited or otherwise affected.

Four

No delay or omission on the part of the Creditor in exercising any right, power, privilege or remedy (hereinafter together called "Rights") in respect of this Guarantee shall impair any such Rights or be construed as a waiver of any thereof nor shall any single or partial exercise of any such Rights preclude any further exercise of any other Rights. The Rights herein provided are cumulative and not exclusive of any rights, powers, privileges or remedies provided by law. Nothing in this Guarantee shall be construed as voiding, negating or restricting any right of set-off or any other right whatsoever existing in favour of a Creditor or arising at common law, by statute or otherwise howsoever.

Five

This Guarantee is a continuing guarantee and shall not be satisfied, discharged or affected by any intermediate payment or settlement of account.

Six

The Guarantor will not exercise any rights of subrogation or any other rights or remedy against GNI (including, without limiting the generality of the foregoing, the benefit of any security or right of set-off) which it may acquire due to its payment of any Obligation pursuant to the terms of this Guarantee and will not prove in the liquidation of GNI in competition with any Creditor unless and until all Obligations in respect of the relevant Creditor hereby guaranteed have been satisfied in full by the Guarantor or GNI. In the event that the Guarantor shall receive any payment on account of such rights against GNI while any Obligation remains outstanding, the Guarantor shall pay all amounts so received to the relevant Creditor.

Seven

Payments hereunder shall be made free and clear of any deduction or withholdings other than those required by law and in that event the Guarantor shall pay such additional amount to the relevant Creditor as may be necessary in order that the actual amount received after all such deductions and withholdings shall equal the amount that would have been received if no such deduction or withholding were required provided that the Guarantor shall not be obliged to pay any such additional amount which would not have been payable if the payment which is the subject of the withholding or deduction had been made by GNI. If the Guarantor makes a payment of an additional amount in compliance with its obligations under this paragraph and the Creditor determines that it has received or been granted a credit against or relief or payment of any tax paid or payable by it in respect thereof the Creditor shall to the extent that it can do so without prejudice to the retention of the amount of such credit, relief or repayment pay to the Guarantor such amount as shall be attributable to such deduction provided that nothing contained in this paragraph shall interfere with the right of any Creditor to arrange its tax affairs in whatsoever manner it thinks fit and, in particular, no Creditor shall be under any obligation to claim relief in respect of any such deduction in priority to any other claim or relief available to it.

Eight

ny demand or notice hereunder shall be given in writing or by facsimile transmission addressed to the Guarantor or to the person to or upon whom the demand is to be made or the notice served at the registered or principal office or last known place of abode of the Guarantor or of such person, as the case may be. A demand so made shall be deemed to have been duly made if left at such address on the day it was so left or, if sent by post, two weekdays after the time when the same was put in the post and in proving delivery it shall be sufficient to prove that the same was properly addressed and put in the post. Any such demand sent by facsimile transmission shall be deemed to have been duly made at the time of despatch.

Nine

The liability of the Guarantor under this Guarantee shall not be affected by the liquidation, winding-up or other incapacity of GNI. In the event that any payment to a Creditor from GNI in respect of an Obligation is avoided or reduced by virtue of any enactment for the time being in force relating to liquidation or insolvency, the Creditor shall be entitled to recover the value or amount thereof from the Guarantor as if such payment by GNI had not been made.

Ten

This Guarantee shall remain in full force and effect irrespective of whether or not any action has been taken to enforce any Obligation or any judgement obtained against GNI or any other person, whether or not any time or indulgence has been granted to GNI or any other person by or on behalf of any Creditor, whether or not there have been any dealings or transactions between GNI or any other person and any of the Creditors, whether or not GNI or any other person has been dissolved, liquidated, merged, consolidated, become bankrupt or has changed its status, functions, control or ownership, whether or not GNI or any other person has been prevented from making payment by foreign exchange provisions applicable at its place of registration or incorporation and whether or not any circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to a guarantor, PROVIDED that the Guarantor shall not, by virtue of this Guarantee, be liable for a sum greater than that which would have been due, had the Guarantor contracted with the Creditor as principal (in lieu of GNI) in relation to the transaction giving rise to the Obligation and in respect of any other transactions outstanding between GNI and the relevant Creditor when a claim is made hereunder (including, without limitation, the right to set off any obligations then due and payable to GNI by that Creditor).

Eleven

If any of the terms or provisions of this Guarantee are or shall become invalid, illegal or unenforceable, the remaining terms and provisions hereof shall survive unaffected.

Twelve

The Guarantor shall be permitted from time to time and at any time to amend or vary the terms of this Guarantee PROVIDED THAT the liability of the Guarantor to a Creditor in respect of any Obligation incurred before, or arising out of an Obligation entered into, before the date of such variation or amendment, shall not be in any way reduced or limited by such variation or amendment. Any person shall be entitled to rely on a certificate given by a director or other duly authorised officer of the Guarantor as to the existence and extent of this Guarantee and any such variation and/or amendment of this Guarantee on entering into any dealing, transaction or arrangement with GNI under or in any respect of which an Obligation would or might be incurred by GNI to that person.

Thirteen

This Guarantee shall be governed by and construed in accordance with English law.