

•
OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
(formerly Old Mutual International Holdings (UK) Limited)
and subsidiary undertakings

FINANCIAL STATEMENTS - 31 DECEMBER 1998

BOARD OF DIRECTORS

RO Bernays
TJR Gordon
BA Marquard

COMPANY SECRETARY

IN Sutton

REGISTERED OFFICE

The Registry
Royal Mint Court
London
EC3N 4EY

REGISTERED NUMBER

England: 3456361



REPORT OF THE DIRECTORS (continued)

SHARE CAPITAL

On 23 September and 31 December 1998, ordinary share capital of £65 million and £5 million respectively was issued fully paid.

EMPLOYEE POLICIES

The Directors continue to encourage employee involvement in the affairs of the Group. Regular consultative meetings form a major part of this process. The Group has a policy of giving full and fair consideration to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Appropriate training may be arranged for disabled employees to promote their career development within the Group.

CREDITOR PAYMENT POLICY

It is the Group's policy to settle all of its trading transactions on the agreed settlement date. This policy extends to other trade creditors, normally being within thirty days.

FIXED ASSETS

The movements in fixed assets during the period are set out in notes 13 to 15 to the financial statements.

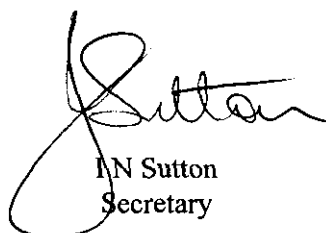
YEAR 2000

The Company is a holding company and has no direct Year 2000 issues. The policies and plans for Year 2000 are disclosed in the Director's report of the principal operating subsidiary undertaking, Capel-Cure Sharp (Holdings) Limited.

AUDITORS

The Company elected not to re-appoint auditors annually on 30 October 1998.

By Order of the Board



I N Sutton
Secretary

26 February 1999

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the period from 1 July to 31 December 1998.

PRINCIPAL ACTIVITY

The principal activity of the Group is to manage investments and provide dealing facilities for private clients, pension funds, charities and unit trusts on an agency basis.

ACCOUNTING REFERENCE DATE

The accounting reference date of the Company and its subsidiaries was changed from 30 June to 31 December in order to coincide with that of the ultimate parent undertaking, the South African Mutual Life Assurance Society ("Old Mutual"). Accordingly, the period under review is 6 months ending 31 December 1998 and the comparative figures are for the 8 months ending 30 June 1998.

REVIEW OF THE BUSINESS

The Company is part of the Old Mutual Group, an international financial services group, which latest audited accounts disclose over £45.7 billion of assets under management deriving from insurance, unit trust and asset management business. On 14 October 1998, the Company acquired the Albert E. Sharp group which augments the private client investment management network of the Capel-Cure group. The enlarged group trades as Capel-Cure Sharp Limited. The results of AE Sharp are included from 14 October and are shown in note 8. Plans to integrate its business and clients on to the Capel-Cure Sharp's systems are well in hand with the conversion from Pershing Securities Limited scheduled for Easter 1999. The introduction of the Euro was handled smoothly with no adverse effects on the settlement of clients' bargains.

The Directors believe that UK equity market levels will improve over the forthcoming year, and together with the benefits of the merger with Albert E Sharp, view the future with confidence.

RESULTS AND DIVIDENDS

The results of the Group for the period are set out in detail on page 6. The Directors do not recommend the payment of a final dividend, with £11.0 million being charged to shareholders' funds (30 June 1998: £1.0m).

CHANGE IN NAME

On 23 September 1998 the Company, by Special Resolution, re-registered as a public limited company and changed its name to Old Mutual International Holdings (UK) plc.

DONATIONS

The Group made donations for charitable purposes of £26,000 during the period (30 June 1998: £4,000).

DIRECTORS

The Directors of the Company at 31 December are shown on page 1. The Directors who served during the period and to the date of this report were as follows:-

		Date of appointment	Date of resignation
EE	Anstee (Chairman)	19 January 1999	
RO	Bernays		
CN	Blatchly	26 February 1999	
TJR	Gordon		
G	Griffin		10 December 1998
PMT	Jones	26 February 1999	
BA	Marquard		19 January 1999
CJL	Moorsom	26 February 1999	

None of the Directors had any disclosable interest in the share capital or loan stock of the Company or of any other Group undertaking incorporated in Great Britain during the period.

STATEMENT OF DIRECTORS' AND AUDITOR'S RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and 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 judgments 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 Company and 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 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 Group and to prevent and detect fraud and other irregularities.

AUDITOR'S RESPONSIBILITIES

It is the responsibility of the Auditor to form an independent opinion, based on its audit of the financial statements, and to report that opinion to the members of the Company. A copy of the Auditor's Report is included on page 5.

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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**AUDITOR'S REPORT TO THE MEMBERS OF
OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc**

We have audited the financial statements on pages 6 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on 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 an 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and 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 of the Group as at 31 December 1998 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Salisbury Square
London
EC4Y 8BB

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and
Registered Auditor

26 February 1999

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
(formerly Old Mutual International Holdings (UK) Limited)
and subsidiary undertakings

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period from 1 July to 31 December 1998

	Notes	6 months to 31 December 1998 £'000	8 months to 30 June 1998 £'000
TURNOVER	2	25,582	20,276
Ongoing activities		16,885	20,276
Acquisition		8,697	-
Administrative expenses	3	(36,853)	(21,262)
		(11,271)	(986)
Other operating income	6	586	680
OPERATING LOSS	7	(10,685)	(306)
Ongoing activities	8	(6,960)	(306)
Acquisition	8	(3,725)	-
		(325)	(549)
Interest receivable	9	1,340	1,001
Interest payable	10	(1,665)	(1,550)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,010)	(855)
Tax on loss on ordinary activities	11	-	(190)
RETAINED LOSS FOR THE PERIOD	25	(11,010)	(1,045)

There were no other recognised gains or losses in the period or the preceding period.

The results for the period reflects continuing activities of the groups acquired (30 June 1998: group acquired) (Note 8).

The notes on pages 9 to 22 are an integral part of these financial statements.

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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CONSOLIDATED BALANCE SHEET
as at 31 December 1998

	Notes	31 December 1998 £'000	30 June 1998 £'000
FIXED ASSETS		105,225	53,319
Goodwill	13	100,521	51,747
Tangible assets	14	4,256	1,517
Investments	15	448	55
CURRENT ASSETS		88,018	81,008
Investments	16	65	21
Market and client debtors		23,930	55,246
Other debtors	17	14,726	5,892
Cash at bank and in hand	18	49,297	19,849
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	20	(57,586)	(64,482)
NET CURRENT ASSETS		30,432	16,526
TOTAL ASSETS LESS CURRENT LIABILITIES		135,657	69,845
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(41,492)	(35,000)
PROVISIONS FOR LIABILITIES AND CHARGES	22	(1,220)	(890)
		92,945	33,955
CAPITAL AND RESERVES			
Shareholders' funds			
Called up share capital	24	105,000	35,000
Profit and loss account	25	(12,055)	(1,045)
EQUITY SHAREHOLDERS' FUNDS		92,945	33,955

APPROVED BY THE BOARD ON 26 FEBRUARY 1999



RO Bernays



CN Blatchly

The notes on pages 9 to 22 are an integral part of these financial statements.

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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COMPANY BALANCE SHEET
as at 31 December 1998

	Notes	31 December 1998 £'000	30 June 1998 £'000
FIXED ASSETS			
Investments	15	63,675	13,391
CURRENT ASSETS		86,605	56,699
Debtors	17	60,916	55,675
Cash at bank and in hand		25,689	1,024
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	20	(4,420)	(64)
NET CURRENT ASSETS		82,185	56,635
TOTAL ASSETS LESS CURRENT LIABILITIES		145,860	70,026
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21	(40,692)	(35,000)
		105,168	35,026
CAPITAL AND RESERVES			
Shareholders' funds			
Called up share capital	24	105,000	35,000
Profit and loss account	25	168	26
EQUITY SHAREHOLDERS' FUNDS		105,168	35,026

APPROVED BY THE BOARD ON 26 FEBRUARY 1999



RO Bernays



CN Blatchly

The notes on pages 9 to 22 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The particular accounting policies which have been adopted are described below:

a) 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.

b) Goodwill

Goodwill is amortised in equal instalments over the economic life of the investments, which is considered to be twenty years for both.

c) Turnover

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

- i) gross commission and 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) profit on unit trust dealing operations;
- iv) income arising from corporate finance activities;
- v) income arising from management of clients' cash deposits;
- vi) fee income from underwriting activities.

Turnover is stated exclusive of Value Added Tax.

d) 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.

e) Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of those transactions. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

f) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability will crystallise in the future.

NOTES TO THE FINANCIAL STATEMENTS (continued)

g) Tangible fixed assets and depreciation

For all tangible fixed assets, depreciation is calculated to write down their cost to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Computer equipment	- 4 years
Fixtures and fittings	- 4 to 6 years
Motor vehicles	- 3 years
Short leasehold property improvements	- to next rent review

h) Leased assets

Fixed assets leased under finance leases are capitalised and depreciated over their expected useful lives. The finance charges are allocated over the primary period of the lease in proportion to the capital element outstanding.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

i) Fixed asset investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in carrying value.

j) Current asset investments

Stock of units is held for sale or liquidation and is valued at the lower of cost and net realisable value.

k) Systems development

Systems development costs, including purchased software and licenses, are written off as incurred.

l) 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 period end is stated in note 29.

m) Pensions

The Group has contributed to defined contribution schemes in respect of the majority of its employees, the costs of which are charged to the profit and loss account as they accrue.

n) 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 INTERNATIONAL HOLDINGS (UK) plc
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NOTES TO THE FINANCIAL STATEMENTS (continued)

	6 months to 31 December 1998 £'000	8 months to 30 June 1998 £'000
2 TURNOVER		
Agency dealing commissions and income	13,250	12,033
Investment management and advisory fees	10,489	7,211
Income from managing clients' cash	1,425	749
Corporate finance income	232	-
Profit on unit trust dealing operations	183	280
Underwriting and other fees	3	3
	<u>25,582</u>	<u>20,276</u>
Turnover is wholly attributable to United Kingdom operations.		
3 ADMINISTRATIVE EXPENSES		
Staff costs (note 4)	15,830	11,085
Depreciation of tangible fixed assets	685	336
Amortisation of goodwill (note 13)	1,880	1,375
Exceptional reorganisation costs (note 5)	5,816	-
Other operating charges	12,642	8,466
	<u>36,853</u>	<u>21,262</u>
4 EMPLOYEES AND DIRECTORS		
a) The average number employed by the acquired groups, within each category of person was:		
Account executives and dealing staff	236	124
Settlement staff	97	62
Administration and support staff	217	202
Unit trust administration staff	28	27
	<u>578</u>	<u>415</u>
b) The costs incurred in respect of these employees were:		
Wages and salaries	13,493	9,349
Social security costs	1,269	904
Other pension costs (note 23)	790	587
Other staff costs	278	245
	<u>15,830</u>	<u>11,085</u>
c) The Directors received no fees or emoluments for their services.		

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 EXCEPTIONAL REORGANISATION COSTS

	6 months to 31 December 1998	8 months to 30 June 1998
Exceptional reorganisation costs relate to the acquisition of the Albert E Sharp group and are comprised of:		
Staff termination and associated costs	2,591	-
Property dilapidation and closure costs	975	-
Contract termination costs	2,250	-
	<u>5,816</u>	<u>-</u>

6 OTHER OPERATING INCOME

Rental and property service charges	531	534
Computer charges	54	98
Other items	1	48
	<u>586</u>	<u>680</u>

7 OPERATING LOSS

Operating loss is arrived at after charging:

Amortisation of goodwill	1,880	1,375
Depreciation of owned assets	556	336
Depreciation of assets held under finance leases	129	-
Auditor's remuneration - audit fees	288	84
Auditor's remuneration - other fees	114	26
Purchased software and licenses	6	21
Operating lease rentals - plant and equipment	246	212
Operating lease rentals - other	1,614	1,369

8 ANALYSIS OF RESULTS BETWEEN ACQUISITIONS AND ONGOING ACTIVITIES

	6 months to 31 December 1998			8 months to 30 June 1998	
	£'000	£'000	£'000	£'000	£'000
	Ongoing	Acquisition	Total	Ongoing	Total
Turnover	16,885	8,697	25,582	20,276	20,276
Other operating income	586	-	586	680	680
Staff costs	(10,318)	(5,512)	(15,830)	(11,085)	(11,085)
Depreciation					
tangible assets	(359)	(197)	(556)	(336)	(336)
leased assets	-	(129)	(129)	-	-
Amortisation	(1,339)	(541)	(1,880)	(1,375)	(1,375)
Exceptional reorganisation costs (note 5)	(3,566)	(2,250)	(5,816)	-	-
Other operating charges	(8,849)	(3,793)	(12,642)	(8,466)	(8,466)
Operating loss	<u>(6,960)</u>	<u>(3,725)</u>	<u>(10,685)</u>	<u>(306)</u>	<u>(306)</u>

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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NOTES TO THE FINANCIAL STATEMENTS (continued)

	6 months to 31 December 1998 £'000	8 months to 30 June 1998 £'000
9 INTEREST RECEIVABLE		
Bank interest	1,330	993
Other interest	10	8
	<u>1,340</u>	<u>1,001</u>

10 INTEREST PAYABLE		
Bank loans and overdrafts	1,646	1,549
Finance leases	8	-
Other	11	1
	<u>1,665</u>	<u>1,550</u>

11 TAX ON LOSS ON ORDINARY ACTIVITIES

Taxation is based on the result as adjusted for tax purposes for the period and comprises:

UK Corporation Tax on the result for the period at a rate of 31% (30 June 1998: 31%)	-	145
Write-off of ACT not surrendered	-	45
	<u>-</u>	<u>190</u>

There were no taxable profits for the Company or the Group, after taking account of non-taxable income such as dividends and non-deductible expenditure such as goodwill and depreciation.

12 HOLDING COMPANY PROFIT AND LOSS ACCOUNT

The amount dealt with in the consolidated profit and loss account in respect of the Company is a profit after taxation of £142,000 (30 June 1998: £26,000).

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.

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INTANGIBLE ASSETS AND ACQUISITIONS

The whole of the issued share capital of Capel-Cure Sharp (Holdings) Limited was acquired on 22 December 1997, giving rise to goodwill of £53,122,000 of which £1,339,000 has been amortised in the period (30 June 1998: £1,375,000).

The whole of the issued share capital of Albert E Sharp Holdings plc was acquired on 14 October 1998, giving rise to goodwill of £50,654,000 of which £541,000 has been amortised in the period. The results of the Albert E Sharp Holdings plc group were as follows:

	Audited financial statements* 18 months to 30 April 1998 £'000	Unaudited completion accounts from 1 May to 13 October 1998 £'000
Turnover	76,009	20,897
Exceptional administrative expenses	(9,011)	(2,037)
Other administrative expenses	(71,307)	(21,093)
Operating loss	(4,309)	(2,233)
Net interest payable	(534)	(147)
	(4,843)	(2,380)
Tax	67	(13)
Dividends	(124)	-
Retained loss	(4,900)	(2,393)

The following table explains book values of the assets and liabilities acquired, and included in the consolidated financial statements at the date of acquisition. The figures below represent both the book value and fair value to the Group:

	£'000	£'000
Goodwill at 1 July 1998		51,747
Acquisition of AES Holdings plc:		
Tangible fixed assets and investments	3,467	
Stock of units	130	
Market and client debtors	1,342	
Other debtors	7,058	
Cash at bank	11,509	
Total assets:	23,506	
Bank loans and overdrafts	6,205	
Market and client creditors	1,789	
Other creditors	15,882	
Total liabilities	23,876	
Net liabilities on acquisition	370	
Consideration and associated costs (see below)	50,284	50,654
		102,401
Goodwill arising on consolidation		
Amortised in period		(1,880)
Goodwill shown in balance sheet		100,521

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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NOTES TO THE FINANCIAL STATEMENTS (continued)

13 INTANGIBLE ASSETS AND ACQUISITIONS (continued)

- * The audited financial statements of Albert E Sharp Holdings plc for the eighteen months to 30 April 1998 were qualified in respect of the gross market, client and cash balances and the potential adjustment to provisions in respect of client assets. The auditors reported that it was not possible to determine whether the financial statements gave a true and fair view of the state of the group and company affairs at 30 April 1998 and of its loss and cash flows for the period then ended; and whether the financial statements were properly prepared in accordance with the Companies Act 1985. In respect solely of the aforementioned matters the auditors reported that they had not received all information and explanations which they considered necessary and that proper accounting records had not been kept.

Prior to the acquisition of Albert E Sharp Holdings plc by the Old Mutual Group the issues resulting in this qualification were addressed through the transfer of clients' assets to Pershing Securities, a project to restore client records and the mechanism for deferral of part of the acquisition consideration.

	£'000
Consideration for the Albert E Sharp group was comprised of the following:	
Initial consideration @ £3.70 per share	40,745
Deferred consideration @ £0.86 per share	9,539
	<u>50,284</u>

Deferred consideration is payable in up to 3 tranches: on or before 30 June 1999, 30 June 2000 and the final payment date is dependent on the outcome of a legal claim.

14 TANGIBLE FIXED ASSETS

	<u>Computers and equipment</u> £'000	<u>Fixtures and fittings</u> £'000	<u>Motor vehicles</u> £'000	<u>Total</u> £'000
GROUP COST				
At 1 July 1998	1,097	248	508	1,853
Additions	3,305	17	178	3,500
Disposals	(262)	(53)	(73)	(388)
At 31 December 1998	<u>4,140</u>	<u>212</u>	<u>613</u>	<u>4,965</u>
At 1 July 1998	218	28	90	336
Charge for the period	564	41	80	685
Disposals	(259)	(53)	-	(312)
At 31 December 1998	<u>523</u>	<u>16</u>	<u>170</u>	<u>709</u>
NET BOOK VALUE				
At 31 December 1998	<u>3,617</u>	<u>196</u>	<u>443</u>	<u>4,256</u>
At 30 June 1998	<u>879</u>	<u>220</u>	<u>418</u>	<u>1,517</u>

The total net book value of assets held under finance leases at the period end was £1,198,000 (30 June: £nil).

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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NOTES TO THE FINANCIAL STATEMENTS (continued)

15 FIXED ASSET INVESTMENTS

a) GROUP	<u>Listed</u> £'000	<u>Unlisted</u> £'000	<u>Total</u> £'000
COST			
Balance at 1 July 1998	10	45	55
Acquired 14 October 1998	-	393	393
At 31 December 1998	<u>10</u>	<u>438</u>	<u>448</u>
NET BOOK VALUE			
31 December 1998	<u>10</u>	<u>438</u>	<u>448</u>
30 June 1998	<u>10</u>	<u>45</u>	<u>55</u>

The market value of the listed investment at 31 December 1998 was approximately £25,000 (30 June 1998: £21,000). In the opinion of the Directors the market value of the unlisted investments is not significantly different from the £438,000 cost.

b) COMPANY	<u>Subsidiary undertakings</u> £'000	<u>Total</u> £'000
COST		
Balance 1 July 1998	13,391	13,391
Acquired 14 October 1998	<u>50,284</u>	<u>50,284</u>
Balance 31 December 1998	<u>63,675</u>	<u>63,675</u>
NET BOOK VALUE		
At 31 December 1998	<u>63,675</u>	<u>63,675</u>
At 30 June 1998	<u>13,391</u>	<u>13,391</u>

The subsidiary undertakings which, in the opinion of the Directors, principally affected the amount of the profit or net assets of the Group and their nature of business were:

Capel-Cure Sharp (Holdings) Limited - management company
Capel-Cure Sharp Limited - investment management
Capel-Cure Myers Unit Trust Management Limited - unit trust management
Ridgefield Unit Trust Administration Limited - unit trust administration
Albert E. Sharp & Co - investment management and corporate finance

All the above companies are wholly-owned, indirectly, by Old Mutual International Holdings (UK) plc, and are registered in England.

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
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NOTES TO THE FINANCIAL STATEMENTS (continued)

16 INVESTMENTS

	31 December 1998 £'000	30 June 1998 £'000
GROUP		
Stock of units in authorised unit trusts	<u>65</u>	<u>21</u>

17 DEBTORS

GROUP

Prepayments	3,539	1,710
Amounts owed by Capel-Cure Sharp Group's pension scheme	184	195
Other debtors	<u>11,003</u>	<u>3,987</u>
	<u>14,726</u>	<u>5,892</u>

COMPANY

Amounts owed by subsidiary undertakings	60,847	55,675
Other debtors	<u>69</u>	<u>-</u>
	<u>60,916</u>	<u>55,675</u>

18 CASH AT BANK AND IN HAND

Cash at bank in the consolidated balance sheet includes £7,309,000 (30 June 1998: £2,729,000) received in the course of settlement of client bargains. This amount is held by Capel-Cure Sharp Limited and Albert E. Sharp & Co. in client settlement money bank accounts and may be utilised to complete settlement of outstanding bargains.

19 SECURED CREDITORS

The following amounts included under creditors were secured on the assets of the Group at 31 December 1998:

£35,000,000 loan from Nedcor Bank's London branch which is secured by a charge over the investment in Central Capital Acquisitions Limited (note 21); and
£ 2,000,000 loan from the Bank of Scotland is secured by a debenture over all the assets and undertakings of the Albert E Sharp group (including uncalled share capital); and
£ 4,248,000 guaranteed loan notes are backed by a cash deposit of £4,900,000 at Nedcor Bank's London branch (note 21).

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
(formerly Old Mutual International Holdings (UK) Limited)
and subsidiary undertakings

NOTES TO THE FINANCIAL STATEMENTS (continued)

	31 December 1998 £'000	30 June 1998 £'000
20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
GROUP		
Bank overdrafts	474	630
Bank loans	7,625	1,625
Market and client creditors	25,569	54,035
Corporation tax	373	373
Other taxation and social security	4,352	1,572
Amounts owed to group undertakings	343	70
Finance lease creditors	674	-
Other creditors	5,989	683
Accruals and deferred income	12,187	5,494
	<u>57,586</u>	<u>64,482</u>
COMPANY		
Accruals	106	64
Other creditors	4,314	-
	<u>4,420</u>	<u>64</u>

The bank loans at the end of the period bore interest during the period as follows:

On £1,625,000 - at 1% over base rate (30 June 1998: 1% over base rate)

On £2,000,000 - at 2.25% over base rate

On £4,000,000 - at 1.5% over base rate

21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP		
Guaranteed unsecured loan stock 31 December 2004	4,248	-
Subordinated loan from Nedcor Bank	35,000	35,000
Other subordinated loan	90	-
	<u>39,338</u>	<u>35,000</u>
Finance lease creditors	248	-
Other creditors	1,906	-
	<u>41,492</u>	<u>35,000</u>
COMPANY		
Guaranteed unsecured loan stock 31 December 2004	4,248	-
Subordinated loan from Nedcor Bank	35,000	35,000
	<u>39,248</u>	<u>35,000</u>
Other creditors	1,444	-
	<u>40,692</u>	<u>35,000</u>

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
(formerly Old Mutual International Holdings (UK) Limited)
and subsidiary undertakings

NOTES TO THE FINANCIAL STATEMENTS (continued)

	31 December 1998 £'000	30 June 1998 £'000
21 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)		
Guaranteed unsecured loan notes: interest at 1% below LIBOR		
Final repayment date 2004	4,248	-
Bank loans		
Nedcor Bank repayable 2002: interest at 0.75% above LIBOR	35,000	35,000
Other bank loans	7,625	1,625
Other loans		
Obligations under finance leases	922	-
Other - subordinated	90	-
Total loans	47,885	36,625
Less: amounts included in creditors falling due within one year	(8,299)	(1,625)
Loans falling due after more than one year	39,586	35,000
Deferred consideration for acquisition of AE Sharp group	1,444	-
Deferred income	462	-
	<u>41,492</u>	<u>35,000</u>

The subordinated loan from Nedcor Bank Limited to the Company does not rank for any distribution in the winding up of the Company until all other creditors have been paid in full. The interest rate is fixed at six monthly intervals. The loan is not repayable before December 2002, unless prior approval has been given by the Securities and Futures Authority, or its successor regulatory body. The other subordinated loan is interest free and is only repayable when a subsidiary of the Albert E Sharp group is wound up. Interest on the loan notes is fixed at six monthly intervals.

22 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP - PROPERTY PROVISIONS

Balance at 30 June 1998/date of acquisition	890	1,047
Transfer to creditors falling due within one year	(83)	(136)
Charge (credit) to profit and loss	413	(21)
Balance at 31 December/30 June 1998	<u>1,220</u>	<u>890</u>

No foreseeable deferred taxation had been unprovided in the financial statements at the end of the period.

23 PENSIONS

Defined contribution schemes

The majority of employees are included in defined contribution schemes. The cost during the period was £790,000 (30 June 1998: £587,000). The Group has no obligations other than payment of pension contributions.

OLD MUTUAL INTERNATIONAL HOLDINGS (UK) plc
(formerly Old Mutual International Holdings (UK) Limited)
and subsidiary undertakings

NOTES TO THE FINANCIAL STATEMENTS (continued)

	31 December 1998 £'000	30 June 1998 £'000
24 CALLED UP SHARE CAPITAL		

Authorised

115,000,000 ordinary shares of £1 each (30 June: 35,000,000)	<u>115,000</u>	<u>35,000</u>
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Allotted and fully paid

105,000,000 ordinary shares of £1 each (30 June: 35,000,000)	<u>105,000</u>	<u>35,000</u>
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On the 23 September 1998 the authorised share capital was increased by Special Resolution. 70 million ordinary shares of £1 each have been allotted at par and fully paid.

25 PROFIT AND LOSS ACCOUNT

GROUP

Balance at 1 July 1998/at inception	(1,045)	-
Charged for the period	<u>(11,010)</u>	<u>(1,045)</u>
Balance at 31 December/30 June 1998	<u>(12,055)</u>	<u>(1,045)</u>

COMPANY

Balance at 1 July 1998/at inception	26	-
Retained profit for the period	<u>142</u>	<u>26</u>
Balance at 31 December/30 June 1998	<u>168</u>	<u>26</u>

26 MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 1998 £'000 Company	31 December 1998 £'000 Group	30 June 1998 £'000 Company	30 June 1998 £'000 Group
Shareholders' funds at 1 July 1998/ at inception	35,026	33,955	-	-
Proceeds from share capital issue	70,000	70,000	35,000	35,000
Loss for the period charged to reserves	-	(11,010)	-	(1,045)
Profit for the period credited to reserves	<u>142</u>	<u>-</u>	<u>26</u>	<u>-</u>
Shareholders' funds at 31 December/30 June 1998	<u>105,168</u>	<u>92,945</u>	<u>35,026</u>	<u>33,955</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

	31 December 1998 £'000	30 June 1998 £'000
27 FINANCIAL COMMITMENTS		
The Group has the following annual obligations under leases:		
(a) OPERATING LEASES		
i) Land and buildings		
Operating leases of the acquired groups which expire:		
Within one year	27	17
In the second to fifth year	354	128
Over five years	4,460	2,645
	<u>4,841</u>	<u>2,790</u>
ii) Other		
Operating leases of the acquired groups which expire:		
Within one year	53	331
In the second to fifth year	502	108
Over five years	-	3
	<u>555</u>	<u>442</u>
(b) FINANCE LEASES		
i) Other		
Finance leases of the acquired groups which expire:		
Within one year	674	-
In the second to fifth year	218	-
Over five years	30	-
	<u>922</u>	<u>-</u>

28 CONTINGENT LIABILITIES

In the ordinary course of business, Capel-Cure Sharp Limited (formerly Capel-Cure Myers Capital Management Limited) and Albert E Sharp & Co. have given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising therefrom cannot be quantified, but it is not believed that any material liability will arise under these indemnities. Furthermore, any liability that might arise on indemnities given by Capel-Cure Sharp since September 1994 has been insured against.

Albert E Sharp & Co. have given an indemnity of £250,000 in respect of overdrafts to employees under a car purchase scheme. It has also entered into a Model "B" agreement with a clearing company. Under the terms of this agreement Albert E Sharp & Co. have given an indemnity to the clearing company for clients it has introduced in respect of any transactions which fail to settle. The Directors do not believe that any material liability will arise under these indemnities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 CLIENTS' DEPOSITS

At 31 December 1998 amounts held by Capel-Cure Sharp Limited on behalf of clients in accordance with the Client Money Rules of The Securities and Futures Authority amounted to £195,642,000 (30 June: £196,050,000). The Group has no beneficial interest in these deposits and accordingly they are not included in the balance sheet.

30 RELATED PARTY TRANSACTIONS

Capel-Cure Sharp Limited earned investment management and associated administration fees during the period of £24,000 (30 June 1998: £23,000) from the pension scheme of Capel-Cure Sharp (Holdings) Limited. 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.

31 PARENT UNDERTAKINGS

This is the highest UK group of undertakings for which consolidated financial statements are drawn up as at 31 December 1998. Copies of these financial statements are available from

The Secretary, Old Mutual International Holdings (UK) plc, The Registry, Royal Mint Court, London EC3N 4EY.

Ultimate parent undertaking

The ultimate parent undertaking is the South African Mutual Life Assurance Society ("Old Mutual"), incorporated in the Republic of South Africa. Copies of its financial statements are available from:

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