



# Directors' Report

The directors submit their report together with the audited financial statements for the period ended 30 September 2003.

## Business of the group

The principal activity of the group is investment management, which includes the management of investment trusts, unit trusts and OEICs, pension funds, private client funds, venture capital funds and other discretionary portfolios.

## Review of activities

Funds under management at 30 September 2003 were £3,218 million, having fallen from £4,063 million at 31 January 2003. In that period the UK all share index rose by 18% per cent. On 11 July 2003 the company's private client subsidiary, Edinburgh Fund Managers (Private Clients) Limited was sold to Tilney Investment Management Limited.

On 24 October 2003 the company became a subsidiary of Aberdeen Asset Management PLC and the accounting reference date has been changed to 30 September. On 31 October 2003 the retail OEIC and unit trust businesses of Edinburgh Unit Trust Managers Limited and Edinburgh Portfolio Limited were sold to New Star Asset Management Limited.

On 23 December 2003 Northern Venture Managers Limited was sold to its management.

## Delisting

Until 22 January 2004 the company's shares were listed on the London Stock Exchange. The company will be re-registered as a private limited company.

## Dividends

No dividend is proposed for the period to 30 September 2003.

The group's profit and loss account deficit for the period of £1,193,000 will be transferred from reserves.

## Directors

The following directors held office during the period:

Sir Charles Nunneley (appointed 5 February 2003)

A J Brown (appointed 16 June 2003)

R M MacRae

A H Richards

On 24 October 2003, Sir Charles Nunneley and Mr A J Brown resigned as directors, Mr M J Gilbert and Mr A A Laing were appointed directors on 24 October 2003. In accordance with the articles of association, Mr M J Gilbert and Mr A A Laing will seek appointment at the annual general meeting.

## Directors' interests in the company

The interests of the directors at 30 September 2003 in the company's shares are shown in the table below. All interests are beneficially held.

Other than those disclosed below, no director had any interests in the share capital of any other group company.

	At 30 September 2003	At 31 January 2003*
<b>Ordinary Shares</b>		
R M MacRae	9,519	8,273
Sir Charles Nunneley	20,000	—
A H Richards	130,363	130,363
<b>Share Options</b>		
R M MacRae – executive	120,000	120,000
– savings related	2,136	2,136
A H Richards – executive	197,784	197,784

\* if later, date of appointment

## Directors' and officers' insurance

The company maintains insurance cover in respect of directors' and officers' liability.

## Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## Charitable donations

During the period the group made charitable donations of £1,000.

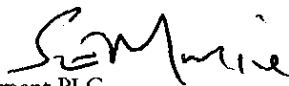
## Auditors

Resolutions will be proposed at the annual general meeting to re-appoint KPMG Audit Plc as auditors of the company and to authorise the directors to fix their remuneration.

By order of the board  
Aberdeen Asset Management PLC

**Secretary**

Edinburgh, 28 April 2004



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the revenue of the company 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; and

- ⇒ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they comply with all the above requirements. 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 a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and to detect fraud and other irregularities.

### **Independent auditors' report to the members of Edinburgh Fund Managers Group plc**

We have audited the financial statements on pages 5 to 25.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, 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 by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. 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 group is not disclosed.

### **Basis of audit opinion**

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

whether the accounting policies are appropriate to the 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 as at 30 September 2003 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**

*Chartered Accountants*

*Registered Auditor*

Saltire Court

Edinburgh, 28 April 2004

*KPMG Audit Plc*

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period ended 30 September 2003

	Notes	8 months ended 30 September 2003		Year ended 31 January 2003	
		£000	£000	£000	£000
TURNOVER	2		16,622		30,682
ADMINISTRATIVE EXPENSES					
– operating expenses	3	(15,972)		(27,551)	
– amortisation of goodwill		(693)		(998)	
– exceptional costs	3	(2,013)		(2,534)	
			(18,678)		(31,083)
OPERATING LOSS			(2,056)		(401)
Gain/(loss) on disposals of investments	5		—		59
Exceptional gain on disposal of subsidiary	6		4,099		—
Exceptional write-downs	7		(2,727)		(1,292)
Other income	8		266		532
			(418)		(1,102)
Interest payable	9		(645)		(943)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION					
– before goodwill and exceptionals		271		2,779	
– goodwill and exceptionals		(1,334)		(4,824)	
– after goodwill and exceptionals			(1,063)		(2,045)
(Taxation)/relief on (loss)/profit on ordinary activities	10		(130)		314
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION			(1,193)		(1,731)
DIVIDENDS			—		—
Retained loss for the period	21		(1,193)		(1,731)

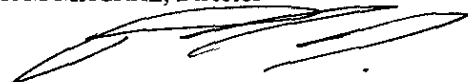
# CONSOLIDATED BALANCE SHEET

at 30 September 2003

	Notes	At 30 September 2003 £000	At 31 January 2003 £000
<b>FIXED ASSETS</b>			
Intangible assets – goodwill	11	14,989	18,276
Tangible assets	12	2,741	3,120
Investments	13	4,309	3,213
Own shares	14	187	199
		<u>22,226</u>	<u>24,808</u>
<b>CURRENT ASSETS</b>			
Stock of shares and units		—	14
Debtors	16	6,362	6,281
Cash and deposits		10,621	13,280
		<u>16,983</u>	<u>19,575</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Bank overdraft		3,952	2,699
Taxation and social security		266	557
Other creditors	17	17,077	15,550
		<u>21,295</u>	<u>18,806</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(4,312)</u>	<u>769</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>17,914</u>	<u>25,577</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
	18	6,898	14,365
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	19	18	117
		<u>10,998</u>	<u>11,095</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	1,426	1,426
Reserves	21	9,572	9,669
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>10,998</u>	<u>11,095</u>

Approved by the board on 28 April 2004 and signed on its behalf by:

R M MACRAE, Director



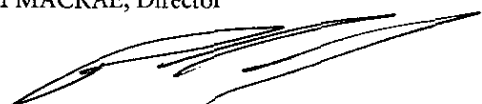
# COMPANY BALANCE SHEET

at 30 September 2003

	Notes	At 30 September 2003 £000	At 31 January 2003 £000
<b>FIXED ASSETS</b>			
Investments	13	15	15
Subsidiary undertakings	15	59,360	62,480
Own shares	14	187	199
		<u>59,562</u>	<u>62,694</u>
<b>CURRENT ASSETS</b>			
Debtors	16	<u>8,695</u>	<u>8,691</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Bank overdraft		3,952	2,699
Other creditors	17	<u>20,565</u>	<u>17,240</u>
		<u>24,517</u>	<u>19,939</u>
<b>NET CURRENT LIABILITIES</b>		<u>(15,822)</u>	<u>(11,248)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>43,740</u>	<u>51,446</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
	18	<u>6,898</u>	<u>14,365</u>
		<u>36,842</u>	<u>37,081</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	1,426	1,426
Reserves	21	<u>35,416</u>	<u>35,655</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>36,842</u>	<u>37,081</u>

Approved by the board on 28 April 2004 and signed on its behalf by:

R M MACRAE, Director





## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period ended 30 September 2003 £000	Year ended 31 January 2003 £000
Loss for the period .....	(1,193)	(1,731)
Revaluation of investments .....	1,096	(757)
Total recognised losses and gains relating to the period .....	<u>(97)</u>	<u>(2,488)</u>

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

	Period ended 30 September 2003 £000	Year ended 31 January 2003 £000
Reported loss on ordinary activities before taxation .....	(1,063)	(2,045)
Realisation of investment revaluation losses of prior years .....	—	(1,400)
Historical cost loss for the period before taxation .....	<u>(1,063)</u>	<u>(3,445)</u>
Historical cost loss for the period after taxation and dividends .....	<u>(1,193)</u>	<u>(3,131)</u>

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Period ended 30 September 2003		Year ended 31 January 2003	
	Consolidated £000	Company £000	Consolidated £000	Company £000
Loss for the period .....	(1,193)	(239)	(1,731)	(45,431)
Dividends .....	—	—	—	—
Retained loss for the period .....	(1,193)	(239)	(1,731)	(45,431)
Other recognised gains/(losses) .....	1,096	—	(757)	—
Issue of shares .....	—	—	123	123
Net reduction to shareholders' funds .....	(97)	(239)	(2,365)	(45,308)
Shareholders' funds at 31 January 2003 .....	11,095	37,081	13,460	82,389
Shareholders' funds at 30 September 2003 .....	<u>10,998</u>	<u>36,842</u>	<u>11,095</u>	<u>37,081</u>

# CONSOLIDATED CASH FLOW STATEMENT

for the period ended 30 September 2003

	Notes	Period ended 30 September 2003 £000	Year ended 31 January 2003 £000
Cash inflow/(outflow) from operating activities .....	(a)	(1,447)	6,555
Returns on investments and servicing of finance .....	(b)	(289)	(349)
Taxation .....		(123)	(465)
Capital expenditure and financial investment .....	(c)	62	751
Acquisitions and disposals .....	(d)	4,099	(2,976)
Equity dividends paid .....		—	(2,385)
Cash inflow/(outflow) before financing .....		2,302	1,131
Financing .....	(e)	(6,214)	12,805
Increase/(decrease) in cash in the period .....	(f)	(3,912)	13,936

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to operating cash flows

Operating loss .....	(2,056)	(401)
Depreciation charge .....	323	535
Amortisation of goodwill .....	693	998
(Gain)/loss on disposal of fixed assets .....	6	(25)
Decrease in stock of shares and units .....	14	293
Decrease/(increase) in debtors .....	(87)	8,448
(Decrease)/increase in creditors .....	(340)	(3,293)
	<u>(1,447)</u>	<u>6,555</u>
Net cash inflow from operating activities before exceptional items .....	727	8,270
Outflow related to exceptional items .....	(2,174)	(1,715)
Cash inflow/(outflow) from operating activities .....	<u>(1,447)</u>	<u>6,555</u>
Operating cash inflow/(outflow) excluding unit trust and OEIC dealing activity .....	(2,637)	4,079
Cash inflow/(outflow) relating to unit trust and OEIC dealing activity .....	1,190	2,476
	<u>(1,447)</u>	<u>6,555</u>

### (b) Returns on investments and servicing of finance

Interest received .....	226	523
Dividends received .....	—	46
Other income .....	43	(108)
Interest paid .....	(558)	(810)
Cash inflow/(outflow) from investment and servicing of finance .....	<u>(289)</u>	<u>(349)</u>

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Period ended 30 September 2003 £000	Year ended 31 January 2003 £000		
<b>(c) Capital expenditure and financial investment</b>				
Purchase of tangible assets .....	(12)	(198)		
Purchase of investments .....	—	(11)		
Cost of own shares transferred to employees .....	12	442		
Sale of tangible assets .....	62	97		
Sale of investments .....	—	421		
Cash inflow from capital expenditure and financial investment .....	<u>62</u>	<u>751</u>		
<b>(d) Acquisitions and disposals</b>				
Cash element on disposal/(acquisition) of subsidiary undertaking .....	4,784	(2,976)		
Net cash (disposed)/acquired with subsidiary .....	<u>(685)</u>	<u>—</u>		
Cash inflow/(outflow) arising on acquisitions and disposals .....	<u>4,099</u>	<u>(2,976)</u>		
<b>(e) Financing</b>				
Bank term loan .....	(6,000)	13,250		
Issue of shares .....	—	123		
Repayment of loan notes .....	<u>(214)</u>	<u>(568)</u>		
Cash inflow/(outflow) from financing .....	<u>(6,214)</u>	<u>12,805</u>		
<b>(f) Analysis of changes in net debt</b>				
	31 January 2003 £000	Cash flow £000	Disposal of subsidiary £000	30 September 2003 £000
Cash and deposits .....	13,280	(2,659)	—	10,621
Bank overdraft .....	<u>(2,699)</u>	<u>(5,352)</u>	<u>4,099</u>	<u>(3,952)</u>
Net cash .....	10,581	(8,011)	4,099	6,669
Loan notes .....	<u>(2,024)</u>	<u>(2,150)</u>	—	<u>(4,174)</u>
Bank term loan .....	<u>(13,250)</u>	<u>6,000</u>	—	<u>(7,250)</u>
Total net debt .....	<u>(4,693)</u>	<u>(4,161)</u>	<u>4,099</u>	<u>(4,755)</u>

**1 Accounting policies**

The significant accounting policies adopted in arriving at the financial information set out in these financial statements are as follows:

**Basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, and in accordance with applicable accounting standards.

**Basis of consolidation**

The group accounts consolidate the accounts of the company and all its subsidiary undertakings.

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account of Edinburgh Fund Managers Group plc is not presented.

**Turnover**

Turnover represents the amount receivable for the period in respect of income from fund management services and the net profit derived from open-ended fund trading.

**Operating lease payments**

Operating lease payments are charged in the profit and loss account in the period in which they are incurred.

**Pension contributions**

The majority of the group's permanent employees are covered by a funded defined benefit pension scheme. Contributions are calculated by an external actuary and charged to the profit and loss account over the estimated service lives of the employees.

**Goodwill**

Goodwill arising on consolidation is capitalised and amortised over its estimated useful economic life up to a maximum of 20 years.

**Depreciation**

Fixed tangible assets are stated at historical cost less accumulated depreciation. The tangible assets are written down to their estimated residual value on a straight line basis over the expected useful lives of the assets as follows:

Freehold property	50 years
Office furniture	7 years
Motor vehicles	4 years
Office equipment	3 years

**Investments**

Listed investments are valued at market prices. Unlisted investments are included at a valuation determined by the directors based upon, where appropriate, latest dealing prices, net asset values and other latest known information.

**Deferred taxation**

The charge for ordinary taxation is based on the profits for the period and takes into account full provision for deferred tax in respect of all timing differences on a non-discounted basis except as otherwise required by FRS19. Such timing differences arise primarily from the differing treatment of certain items for accounting and taxation purposes which have arisen but not reversed out by the balance sheet date.

## 1 Accounting policies—contd

### Foreign currencies

Assets and liabilities in foreign currencies are converted at the rates of exchange on the last day of the financial period. Transactions involving foreign currencies are converted at the rate ruling on the date of the transaction. Foreign subsidiaries are translated using the closing rate method.

### Stock of shares and units

These are held by the management companies for the purpose of OEIC and unit trust trading and are valued at net realisable value.

	Period ended 30 September 2003 £000	Year ended 31 January 2003 £000
<b>2 Turnover</b>		
Fund management income .....	16,098	29,577
Net profit from OEIC and unit trust trading .....	524	1,105
Turnover .....	<u>16,622</u>	<u>30,682</u>

The results for the period are from continuing operations.

## 3 Administrative expenses

Administrative expenses include:

Remuneration paid to the auditors

and their associates	– audit fees .....	52	61
	– other work as auditors .....	41	43
	– other .....	86	51
Depreciation .....		323	535
Operating lease payments	– land and buildings .....	504	735
	– office equipment .....	<u>96</u>	<u>130</u>

Audit fees paid in respect of the parent undertaking amounted to £9,000 (year ended 31 January 2003 – £9,000).

### Exceptional costs

Exceptional items during the period related to further costs in connection with the strategic review conducted by the company, together with the cost of advice in connection with a potential liability arising on a group company following a breach of New Zealand regulations.

In the previous year, exceptional costs related to redundancy payments to staff and associated expenses, the integration of Portfolio and advice in connection with an offer for the group.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 Director and employee information

The average number of employees of the group (excluding non-executive directors) during the period was 208 (year ended 31 January 2003 – 252)

	Period ended 30 September 2003 £000	Year ended 31 January 2003 £000
Salaries and bonuses .....	6,808	12,740
Social security costs .....	691	1,238
Pension scheme costs .....	1,613	1,402
Other pension costs .....	96	191
	<u>9,208</u>	<u>15,571</u>
Directors' remuneration		
Fees .....	46	83
Other emoluments .....	368	572
	<u>414</u>	<u>655</u>
Compensation for loss of office .....	—	460
	<u>414</u>	<u>1,115</u>
Highest paid director		
Emoluments (excluding pension contributions) .....	249	267
Accrued pension .....	<u>2</u>	<u>1</u>

Contributions to defined benefit pension schemes were paid in respect of 2 directors (year ended 31 January 2003 – 3 directors).

Directors' interests in the shares of the company are shown in the directors' report.

## 5 Gain on disposal of investments

Realised gain/(loss) on investments .....	—	335
(Gain)/loss brought into account at 31 January 2003 .....	—	(276)
Gain/(loss) since 31 January 2003 on disposal of investments .....	<u>—</u>	<u>59</u>

## 6 Exceptional gain on disposal of subsidiary

Realised gain on disposal .....	<u>4,099</u>	<u>—</u>
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During the period Edinburgh Fund Managers (Private Clients) Ltd was sold to Tilney Investment Management for a consideration, net of expenses, of £4,784,000. The net assets of the company at the date of sale were £685,000.

## NOTES TO THE FINANCIAL STATEMENTS

	Period ended 30 September 2003 £000	Year ended 31 January 2003 £000
<b>7 Exceptional write-downs</b>		
Exceptional write-downs .....	2,727	2,041
Revaluation loss brought into account in prior periods .....	—	(1,674)
	<u>2,727</u>	<u>367</u>
Write-down of own shares held in the employees' benefit trust .....	—	925
Exceptional write-downs since 31 January 2003 .....	<u>2,727</u>	<u>1,292</u>

During the period the goodwill that arose on the acquisition of NVM in June 2000, was written down by £2,727,000 to £3,000,000. This represented the expected realisable value of NVM on its subsequent sale to its management (see note 24). The exceptional write-down in the year ended 31 January 2003 was against the cost of an investment.

<b>8 Other income</b>		
Income from listed investments .....	—	26
Income from unlisted investments .....	—	20
Interest .....	223	524
Other .....	43	(38)
	<u>266</u>	<u>532</u>

<b>9 Interest payable</b>		
Interest on bank overdraft .....	101	504
Interest on term loan .....	393	220
Interest on unsecured guaranteed loan notes .....	64	86
Amortisation of discount on contingent deferred consideration .....	87	133
	<u>645</u>	<u>943</u>

## 10 Taxation

### (a) Analysis of charge in the period

Current tax		
Corporation tax at the standard rate in the UK of 30% on profit/(loss) for period .....	37	(284)
Under/(over) provision in previous years .....	87	(52)
Current tax charge/(relief) for the period .....	<u>124</u>	<u>(336)</u>
Deferred tax		
Origination and reversal of timing differences .....	6	22
	<u>130</u>	<u>(314)</u>
Taxation attributable to exceptional items .....	<u>(136)</u>	<u>(695)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 10 Taxation—contd

Period ended 30 September 2003 £000	Year ended 31 January 2003 £000
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### (b) Factors affecting the tax charge for the period

Loss on ordinary activities before tax	(1,063)	(2,045)
Loss at the standard corporation tax rate in the UK of 30%	(319)	(613)
Goodwill amortisation not tax deductible	208	299
Expenses disallowed for corporation tax purposes	516	108
Provision reversal not taxable	(34)	—
Exceptional write-downs not tax deductible	818	388
Disposal of subsidiary not taxable	(1,230)	—
Tax losses not available for relief in period	66	—
Utilisation of tax losses brought forward	—	(417)
(Gain)/loss on sale of investments offset by capital losses brought forward	—	(22)
Effect of depreciation in excess of capital allowances	8	(5)
Dividend income not subject to corporation tax	—	(14)
Under/(over) provision in previous years	87	(52)
Other	4	(8)
Current tax charge/(relief) for the period	124	(336)

Consolidated  
£000

## 11 Intangible assets – goodwill

### Cost

At 31 January 2003	20,223
Addition	133
At 30 September 2003	20,356

### Amortisation and impairment

At 31 January 2003	1,947
Write-down (note 7)	(2,727)
Charge for period	693
At 30 September 2003	5,367

### Net book value

At 30 September 2003	14,989
At 31 January 2003	18,276



## NOTES TO THE FINANCIAL STATEMENTS

### 12 Tangible assets

	Freehold property £000	Office furniture and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At 31 January 2003	2,076	3,660	173	5,909
Additions	—	12	—	12
Disposals	—	(224)	(96)	(320)
At 30 September 2003	2,076	3,448	77	5,601
<b>Depreciation</b>				
At 31 January 2003	73	2,659	57	2,789
Charge for period	28	270	25	323
Disposals	—	(219)	(33)	(252)
At 30 September 2003	101	2,710	49	2,860
<b>Net book value</b>				
At 30 September 2003	1,975	738	28	2,741
At 31 January 2003	2,003	1,001	116	3,120

The group is committed to the following operating lease payments in the year ending 30 September 2004:

	30 September 2003		31 January 2003	
	Property £000	Office equipment £000	Property £000	Office equipment £000
Operating leases which expire:				
– within one year	51	34	23	36
– in one to five years	175	49	232	94
– over five years	497	—	497	—
	723	83	752	130
			<b>Consolidated £000</b>	<b>Company £000</b>

### 13 Investments

Market value 31 January 2003	3,213	15
Adjustment to cost 31 January 2003	2,399	32
Cost 31 January 2003	5,612	47
Additions at cost	—	—
Disposals at cost	—	—
Cost 30 September 2003	5,612	47
Adjustment to market value 30 September 2003	(1,303)	(32)
Market value 30 September 2003	4,309	15

**13 Investments—contd**

	30 September 2003		31 January 2003	
	Consolidated £000	Company £000	Consolidated £000	Company £000
Listed — UK .....	4,177	—	3,084	—
Unlisted .....	132	15	129	15
	<u>4,309</u>	<u>15</u>	<u>3,213</u>	<u>15</u>
			<b>Consolidated £000</b>	<b>Company £000</b>

**14 Own shares**

Cost less amounts written down 31 January 2003 .....	199	199
Transferred to beneficial ownership of employees .....	(12)	(12)
Cost less amounts written down 30 September 2003 .....	<u>187</u>	<u>187</u>

The own shares are held in an employees' benefit trust. As at 30 September 2003 these were shown in both the consolidated balance sheet and the company's balance sheet at cost less amounts written down in accordance with accounting practice.

**15 Subsidiary undertakings**

Cost less amounts written down 31 January 2003 .....	62,480
Adjustment to cost of acquisitions .....	133
Cost of subsidiary disposed .....	(20)
Amount written down .....	<u>(3,233)</u>
Cost less amounts written down 30 September 2003 .....	<u>59,360</u>

During the period the contingent liability on the deferred consideration due following the acquisition of Northern Venture Managers Limited was finalised at £2,364,000. At 31 January 2003 an estimate of £2,200,000 was made.

On 11 July 2003 the company's subsidiary Edinburgh Fund Managers (Private Clients) Limited was sold.

The share capital of the subsidiary undertakings consists solely of equity shares. The following are the principal subsidiaries of the group:

Name	Registered/ incorporated	Nature and place of business	% owned
<b>Directly held subsidiary undertakings</b>			
Edinburgh Fund Managers plc	Scotland	Investment management (UK)	100
Edinburgh Unit Trust Managers Limited	Scotland	Unit trust and OEIC management (UK)	100
Edinburgh Portfolio Limited	England	Unit trust and OEIC management (UK)	100
Northern Venture Managers Limited	England	Venture capital fund management (UK)	100
The Edinburgh Securities Company Limited	Scotland	Investment company (UK)	100
<b>Indirectly held subsidiary undertakings</b>			
Edinburgh Fund Managers (Bermuda) Limited	Bermuda	Investment management (Bermuda)	100

Northern Venture Managers Limited and Edinburgh Fund Managers (Bermuda) Limited, have an accounting reference date of 31 January. All other group companies have an accounting reference date of 30 September.

## NOTES TO THE FINANCIAL STATEMENTS

### 16 Debtors

	30 September 2003		31 January 2003	
	Consolidated £000	Company £000	Consolidated £000	Company £000
<b>Amounts falling due within one year:</b>				
Management fees receivable .....	982	—	1,767	—
Debtors for shares and units sold or cancelled .....	3,710	—	2,597	—
Other debtors .....	599	—	937	—
Prepayments .....	982	4	885	—
	<u>6,273</u>	<u>4</u>	<u>6,186</u>	<u>—</u>
<b>Amounts falling due outwith one year:</b>				
Amounts owed by subsidiaries .....	—	8,691	—	8,691
Deferred taxation:				
Accelerated capital allowances .....	58	—	58	—
Other timing differences .....	31	—	37	—
	<u>89</u>	<u>8,691</u>	<u>95</u>	<u>8,691</u>
	<u>6,362</u>	<u>8,695</u>	<u>6,281</u>	<u>8,691</u>
<b>Deferred taxation:</b>				
Movements in deferred taxation balances are as follows:				
At 31 January 2003 .....	95	—	117	—
Transfer to profit and loss account .....	(6)	—	(22)	—
At 30 September 2003 .....	<u>89</u>	<u>—</u>	<u>95</u>	<u>—</u>

### 17 Other creditors

	30 September 2003		31 January 2003	
	Consolidated £000	Company £000	Consolidated £000	Company £000
Creditors for shares and units repurchased or created .....	6,233	—	3,944	—
Amounts owed to subsidiaries .....	—	14,433	—	14,070
Accruals .....	5,890	1,606	7,913	117
Trade creditors .....	428	—	640	—
Bank term loan (see note 18) .....	2,125	2,125	1,375	1,375
Unsecured guaranteed loan notes 2000-2005 (see note 18) ..	1,810	1,810	1,678	1,678
Unsecured guaranteed loan notes 2003-2008 (see note 18) ..	591	591	—	—
	<u>17,077</u>	<u>20,565</u>	<u>15,550</u>	<u>17,240</u>

# NOTES TO THE FINANCIAL STATEMENTS

	30 September 2003		31 January 2003	
	Consolidated £000	Company £000	Consolidated £000	Company £000
<b>18 Creditors: amounts falling due after more than one year</b>				
<b>Repayable in more than one year but less than two years:</b>				
Bank term loan .....	2,500	2,500	2,500	2,500
Unsecured guaranteed loan notes 2000-2005 .....	—	—	346	346
Unsecured guaranteed loan notes 2003-2008 .....	591	591	—	—
Contingent deferred consideration .....	—	—	804	804
	<u>3,091</u>	<u>3,091</u>	<u>3,650</u>	<u>3,650</u>
<b>Repayable in more than two years but less than five years:</b>				
Bank term loan .....	2,625	2,625	7,500	7,500
Unsecured guaranteed loan notes 2003-2008 .....	1,182	1,182	—	—
Contingent deferred consideration .....	—	—	1,340	1,340
	<u>3,807</u>	<u>3,807</u>	<u>8,840</u>	<u>8,840</u>
<b>Repayable in more than five years:</b>				
Bank term loan .....	—	—	1,875	1,875

A six year term loan of £13,500,000 was taken out during the year to 31 January 2003 and used to repay the overdraft. This has a minimum repayment schedule with £6,250,000 already repaid. At 30 September 2003 the loan was subject to covenants which, in accordance with standard practice, were reviewed and discussed with the lender from time to time.

The unsecured guaranteed loan notes were issued in two tranches as part of the consideration for the acquisition of Northern Venture Managers Limited. The total value of loan notes outstanding at 30 September 2003 was £4,174,000 (31 January 2003 – £2,024,000). The loan notes are redeemable, subject to certain restrictions, during the period 31 December 2003 to 30 June 2008. The maximum amount which may be redeemed during the next year is £2,401,000 and is included in other creditors falling due within one year.

The guarantee for the loan notes has been provided by the company's bankers. At 30 September 2003, this guarantee, together with the bank overdraft and the term loan, was secured by a floating charge over the whole assets of the company.

Following the acquisition by Aberdeen Asset Management PLC ("Aberdeen") the group falls within the Aberdeen group's banking arrangements. As a result of this, the floating charge was removed and the covenants lifted.

**19 Provisions for liabilities and charges**

Provisions:	Consolidated		
	Pensions £000	NIC on share schemes £000	Total £000
At 31 January 2003 .....	113	4	117
Provided during period .....	—	14	14
Released during period .....	(113)	—	(113)
At 30 September 2003 .....	—	18	18

The pension provision represented amounts held in respect of unfunded unapproved retirement benefit arrangements. No provision is required at 30 September 2003. The provision for national insurance contributions on share schemes represents the amount that would have been payable on the proportion of restricted shares accrued at 30 September 2003.

One group company acted as manager of three split capital investment trusts and one highly geared trust. The Financial Services Authority ('FSA') is currently undertaking a review of the split capital investment trust sector and the company is one of the numerous managers asked to provide information to the FSA. The company has provided all information requested and will continue to cooperate with the FSA. No notice of any legal proceedings has been served against the company and in the event that the company were to be included in any such proceedings these would be defended robustly. The board believes that the company has at all time acted with complete integrity and in accordance with all relevant regulations and laws and does not consider that any provision is required.

During the period a potential liability arose in another group company following a breach of New Zealand securities regulations. At 31 July the potential liability was estimated to be up to £5.8 million. On 16 October 2003 the New Zealand Investment Savings and Insurance Association confirmed that a legislative change would be proposed in order to remove the uncertainties around the historical technical breach. The board does not consider that any provision is required.

**20 Called up share capital**

	Number of shares	£000
<b>Authorised</b>		
<i>Ordinary shares of 5p each</i>		
At 30 September 2003 and 31 January 2003 .....	45,000,000	2,250
<b>Allotted, called up and fully paid</b>		
At 30 September 2003 and 31 January 2003 .....	28,523,919	1,426

Options relating to share option schemes outstanding at 30 September 2003 to subscribe for new ordinary shares were as follows:

**20 Called up share capital—contd**

Subscription price	Last date when options exercisable	Number of shares	
		30 September 2003	31 January 2003
Executive share option schemes			
366p	June 2003	—	20,000
604p	May 2004	125,000	145,000
532.5p	March 2005	133,000	170,500
582.5p	May 2005	20,000	30,000
317.5p	September 2005	—	10,000
726p	October 2005	100,000	115,000
699p	March 2006	110,000	110,000
407.5p	May 2006	130,000	210,000
439p	September 2006	24,000	24,000
592.5p	September 2006	368,000	376,000
547.5p	March 2007	3,000	3,000
661p	March 2007	205,000	240,000
632.5p	September 2007	20,000	20,000
410p	September 2008	125,000	125,000
447p	November 2008	25,000	25,000
396p	May 2009	40,000	40,000
123.5p	October 2009	197,784	197,784
		1,625,784	1,861,284

As at 28 April 2004, with the exception of the 125,000 last exercisable in May 2004, all of the above options had lapsed.

**21 Reserves**

	Capital redemption reserve £000	Share premium account £000	Special capital reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
<b>Consolidated</b>						
At 31 January 2003	183	4,036	—	(2,399)	7,849	9,669
Retained loss for the period	—	—	—	—	(1,193)	(1,193)
Revaluation of investments	—	—	—	1,096	—	1,096
At 30 September 2003	<u>183</u>	<u>4,036</u>	<u>—</u>	<u>(1,303)</u>	<u>6,656</u>	<u>9,572</u>
<b>Company</b>						
At 31 January 2003	183	4,036	29,851	(32)	1,617	35,655
Retained loss for the period	—	—	—	—	(239)	(239)
At 30 September 2003	<u>183</u>	<u>4,036</u>	<u>29,851</u>	<u>(32)</u>	<u>1,378</u>	<u>35,416</u>

Cumulative goodwill written off to reserves to 30 September 2003 amounted to £86,231,000 (31 January 2003 – £86,231,000).

There are no non-equity interests in the reserves.

**22 Employees' share schemes**

The company has an employees' benefit trust and an approved profit sharing scheme to increase share ownership amongst the staff in order to align the interests of the staff with other shareholders. A subsidiary company, Edinburgh Fund Managers (Trustees) Limited, acts as the corporate trustee of The Edinburgh Fund Managers Group Employees' Benefit Trust and The Edinburgh Fund Managers Group Profit Sharing Scheme.

The employees' benefit trust is used to hold shares for the benefit of employees who elect to use all or part of their bonus payable under one of the three cash bonus schemes to acquire shares. Employees electing to receive shares (Deferred Bonus Shares) in lieu of cash will receive an enhancement (Matching Shares) of up to 60% of the number of Deferred Bonus Shares purchased with their after tax bonus. The Deferred Bonus Shares are held within the employees' benefit trust for the beneficial ownership of the employee and, subject to the employee continuing to be employed after three years, the Deferred Bonus Shares and Matching Shares will be transferred to the employee.

The company has an Inland Revenue approved Share Incentive Plan to encourage staff to participate in ownership of the company. For each share purchased by employees the company awards a matching share. In addition, employees are offered free shares if performance targets set by the company are achieved. No free shares will be offered in respect of the period ended 30 September 2003.

A summary of the number of shares held within the various employees' share schemes is as follows:

	30 September 2003 000	31 January 2003 000
<b>Employees' Benefit Trust</b>		
Non-beneficially held		
Unallocated shares	150	153
Matching shares	34	77
	<u>184</u>	<u>230</u>
Beneficially held		
Deferred bonus shares	57	128
Restricted shares	130	130
	<u>371</u>	<u>488</u>
Profit sharing scheme	32	86
Share incentive plan (including matching shares)	337	223
	<u>740</u>	<u>797</u>
Percentage of share capital	2.6%	2.8%

The 150,000 shares which are not allocated to employees are included in the balance sheet at a value of £187,000. These unallocated shares will be used principally to satisfy shares under the bonus scheme or to satisfy the share options outstanding under the savings-related share options scheme. The 184,000 shares not beneficially held for employees have no dividend entitlement.

**23 Pensions**

The principal pension scheme provides retirement benefits based on salary close to retirement for eligible Group employees. Employees who are not eligible for this scheme are members of defined contribution schemes. Employers' contributions are charged to the profit and loss account. The assets of the scheme are held under trust separately from those of the Group.

**SSAP24 disclosure**

Contributions to the scheme are charged to the profit and loss account to spread the cost of pensions over employees' working lives with the Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method. The most recent valuation was as at 31 January 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. For the purposes of this disclosure, it was assumed that the investment returns would be 6.5% per annum, that salary increases would average 2.5% per annum (in line with inflation expectations) and that present and future pensions would increase at the rate of 2.5% per annum. Certain members have a minimum guaranteed increase on pensions of 3.0% per annum.

The most recent funding update as at 31 January 2003 showed that the market value of the scheme's assets was £22,388,000. The assessed value of those assets represented 70% of the value of benefits that had accrued to members, after allowing for expected salary increases. The next formal actuarial valuation will be no later than as at 31 January 2006.

The defined benefit pension scheme cost for the 8 month period was £1,470,400 (year ended 31 January 2003 – £1,347,000). The charge was after an overall increase (2003 decrease) of £568,800 (year ended 31 January 2003 – £202,000) in respect of the amortisation of existing deficit. The amortisation is over 14 years, the assumed average remaining service lives of the pensionable employees.

Due to the impact of Inland Revenue restrictions, part of the normal benefit for two members was previously provided through unfunded unapproved arrangements. The cost of the unapproved benefits had been determined by an actuary using financial assumptions which are consistent with those used to value benefits in the Edinburgh Fund Managers Group plc Retirement and Death Benefits Plan. This provision is no longer required, as the two members have now left service and benefits will be fully funded within the main Plan. Therefore no provision (31 January 2003 – £113,000) is included in respect of the cost of providing the unapproved benefits accrued to their date of leaving service (see note 19).

**FRS 17 disclosure**

The following information is provided in addition to the SSAP 24 disclosures to meet the transitional provisions of FRS 17. The notes of the analysis of the amounts charged to operating profit and the analysis of amount recognised in the statement of total recognised gains and losses are disclosure requirements of FRS 17. Under the transitional provisions these amounts are not reflected in the operating profit or statement of recognised gains and losses.

A full actuarial valuation was carried out at 31 January 2003 using the attained age funding method and updated to 30 September 2003 by a qualified independent actuary. The major financial assumptions used by the actuary to calculate the scheme liabilities under FRS 17 that are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not be borne out in practice, were (in nominal terms):

	30 September 2003	31 January 2003
Discount rate	5.50%	5.30%
Salary increases	4.75%	4.30%
Increases in pensions in payment*	2.75%	2.30%
Inflation	2.75%	2.30%
Increases in deferred pensions	2.75%	2.30%



**23 Pensions—contd**

\* some pensioners receive a minimum increase of 3.0% pa.

The fair value of the scheme's assets, which are not expected to be realised in the short term and may be subject to significant change before they are realised, and their expected gross rates of return, together with the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Expected rate of return	30 September 2003 £000	Expected rate of return	31 January 2003 £000
Equities .....	7.00%	20,167	7.00%	17,160
Bonds .....	4.00%	2,829	4.50%	3,171
Cash .....	2.75%	1,470	4.00%	1,498
Total market value of assets .....		24,466		21,829
Present value of scheme liabilities .....		(42,500)		(40,200)
Deficit in the scheme .....		(18,034)		(18,371)
Related deferred tax asset .....		5,410		5,511
Net pension deficit .....		(12,624)		(12,860)
Net assets of the group excluding pension deficit .....		10,998		11,095
Net pension deficit .....		(12,624)		(12,860)
Net liabilities of the group including pension deficit .....		(1,626)		(1,765)
Profit and loss reserve of the group excluding pension deficit .....		6,656		7,849
Net pension deficit .....		(12,624)		(12,860)
Profit and loss reserve of the group including pension deficit .....		(5,968)		(5,011)
<b>Movement in deficit during the period</b>				
Deficit in scheme at beginning of period .....				(18,371)
Movement in period:				
Current service cost .....				(1,229)
Contributions .....				1,446
Past service cost .....				—
Net interest cost .....				(488)
Actuarial gain .....				608
Deficit in scheme at end of period .....				(18,034)

## 23 Pensions—contd

	£000	
<b>Analysis of the amount charged to operating profit</b>		
Current service cost .....	1,229	
Past service cost .....	—	
Total amount charged to operating profit .....	1,229	
<b>Analysis of net return on pension scheme</b>		
Expected return on pension scheme assets .....	897	
Interest on pension liabilities .....	(1,385)	
Net return .....	(488)	
	30 September 2003 £000	% of assets/ liabilities
<b>Analysis of amount recognised in statement of total recognised gains and losses</b>		
Actual return less expected return on assets .....	(a) 3,558	15
Experience gains and losses on liabilities .....	(b) 1,396	3
Changes in assumptions .....	(4,346)	
Net gain recognised .....	(b) 608	1

The percentages shown are calculated as follows:

- (a) Percentage of the scheme assets at the balance sheet date
- (b) Percentage of the scheme liabilities at the balance sheet date

## 24 Post balance sheet events

On 24 October 2003 the company was acquired by Aberdeen Asset Management PLC ("Aberdeen"). This was an all share offer under the terms of which 2.05 Aberdeen shares were received for each share held in the company.

On 31 October 2003, the OEIC business of two group companies and the contracts for the management of 2 unit trusts were sold to New Star Asset Management Limited for £33 million. On 23 December 2003 the wholly owned subsidiary Northern Venture Managers Limited ("NVM") was sold to the management of NVM for an initial cash payment of £128,700 plus a redeemable preference share in NVM which entitles Aberdeen to receive dividends equivalent to 17.5% of NVM's fee income earned from its present clients for each of the years ended 31 December 2004, 2005 and 2006, subject to a maximum aggregate dividend of £2,450,000.

The revenue attributable to the OEIC business, the 2 unit trust contracts and NVM represented 59% of the turnover of the group for the period to 30 September 2003. The OEIC and unit trust business does not represent discontinued operations as defined in FRS3 because the results of the operations are not clearly distinguishable. The NVM business has not been separately disclosed because it does not have a material effect on the nature and focus of the group's operations.

## NOTICE OF MEETING

Notice is hereby given that the ninth annual general meeting of Edinburgh Fund Managers Group plc will be held at the registered office of the company, 10 Queen's Terrace, Aberdeen, on 28 May 2004 at 10.30 am for the following purposes:

### Ordinary business

#### **ORDINARY RESOLUTIONS**

1. to adopt the reports of the directors and auditors and the financial statements for the period ended 30 September 2003;
2. to appoint Mr M J Gilbert as a director;
3. to appoint Mr A A Laing as a director;
4. to re-appoint KPMG Audit Plc as auditors;
5. to authorise the directors to fix the auditors' remuneration;

By order of the board  
Aberdeen Asset Management PLC

#### **Secretary**

Aberdeen, 28 April 2004

Registered office:  
10 Queen's Terrace  
Aberdeen AB19 1YG