

# **Aberdeen Asset Management PLC**

Interim Report & Accounts 2004

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## Financial highlights

	March 2004	March 2003
Turnover	£73.4m	£74.9m
Pre-tax profit (loss)		
(before goodwill amortisation & exceptional items)	£5.5m	£5.6m
(after goodwill amortisation & exceptional items)	(£9.6m)	£41.9m
Earnings (loss) per share		
(before goodwill amortisation & exceptional items)	1.56p	2.01p
(after goodwill amortisation & exceptional items)	(5.61p)	17.29p
Dividend per share	2.0p	2.0p

### Operational highlights

- Integration of Edinburgh Fund Managers Group complete
- Disposal of UK and Continental European property management business
- Balance sheet continues to be strengthened; gearing reduced from 103.8% to 90.9%
- £1.2 billion of net new business won

Assets under management	March 2004 £m	September 2003 £m
Institutional funds	13,642*	12,212
Closed-end funds	5,069	3,989
Unit trusts & OEICs	2,278	2,327
Offshore funds	1,686	1,227
Discretionary accounts	403	389
Private equity	369	455
	23,447	20,599
Equities:		
UK	5,811	4,813
Europe	1,068	1,235
North America	1,193	870
Asia Pacific	3,403	1,950
Japan	456	400
Emerging markets	237	194
	12,168	9,462
Equities:		
Fixed interest & cash	5,202	5,468
Property	6,077*	5,669
	<b>23,447</b>	<b>20,599</b>

\* Includes £4,314m of assets managed by the UK & Continental European property division

# Chairman's Statement

The six-month period to 31 March 2004 saw some welcome stability return to global financial markets and the Group continued to make progress in its principal aims of improving margins and reducing gearing.

The Group's profit before taxation, goodwill amortisation and exceptional items was £5.5 million for the first half year, compared with £5.6 million for the same period in 2003. In contrast to last year, the Group has entered a second half year that should benefit from increasing revenues and the effects of the cost cutting measures which have been undertaken. The Board has therefore decided to pay an interim dividend of 2.0 pence per share (2003 – 2.0 pence).

The purchase of Edinburgh Fund Managers Group plc, completed in October, has played an important part in the Group's progress during this period, bringing £2.1 billion of additional assets under management, including 9 investments trusts and a number of institutional funds; a new pool of talent, including our new Chief Investment Officer, Anne Richards; and the opportunity for further cost efficiencies across the enlarged Group. Although the time elapsed since completion of this transaction is relatively short, I am pleased to report that the integration process is already complete and we are now looking to build on this enlarged base.

The sale of Edinburgh's UK retail business delivered a reduction in gearing and was a further step in moving the Group's focus towards the institutional and discretionary management sector. Our increased focus in this area has been well received by advisers and consultants, and this is now being reflected in healthy flows of new business. Gross new business for the first half year was £2.0 billion, with net new business of £1.2 billion, both figures including contracts awarded but not yet funded. £830 million of the net new business has been won by our equity and fixed interest division, where sales have been led by our regional Asian equity product, but have also included single country Asian equities, emerging market equities, and international (particularly high yield) bond products. The consistent long-term performance of our Asia-Pacific team, headquartered in Singapore, has been a fundamental factor in our success in this product area.

Shortly after the end of the period, we announced the disposal of the Group's UK and Continental European property management business, subject to the approval of shareholders on 14 May. Whilst this division is extremely successful, the Board believed that it would require considerable additional capital to continue its expansion and that this conflicted with the Group's stated strategy of reducing gearing and focussing on the Group's core strengths of managing equity and fixed interest securities.

The Nordic property business, which contributed £2.2 million of the Group's operating profit of £11.9 million and for which the capital requirements are less onerous, will continue under the Group's ownership. Net new business won by the Nordic division was £150 million and we envisage an improvement in margins from this division as the business develops.

The FSA investigation into the split capital closed-end fund sector continues. However, as has been reported in the press, the FSA has recently suggested to Aberdeen and the other firms under investigation that the parties consider taking part in collective settlement negotiations. This suggestion is currently under review by the Board and Aberdeen has agreed with the FSA to make no comment on this process until further notice.

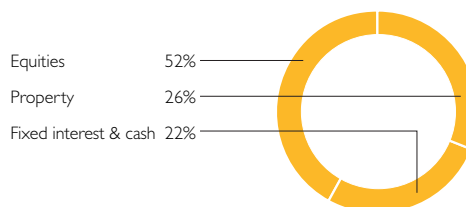
The Board believes that the Group is well placed to build on the progress made during the first half of the current financial year and to benefit from an increasing number of opportunities for winning further new business.



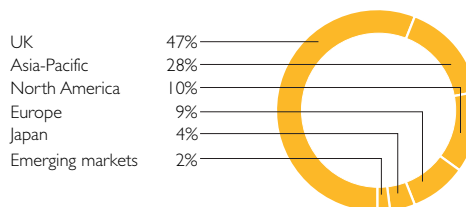
**C L A Irby**

Chairman  
30 April 2004

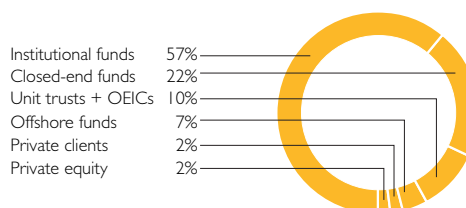
## Type of asset under management



## Geographical profile of equities



## Funds profile



# Group Profit and Loss Account

for the six months to 31 March 2004

	Notes	6 mths to 31 Mar 2004 £'000	6 mths to 31 Mar 2003 £'000	Year to 30 Sep 2003 £'000
Turnover - fund management and variable margin property management		64,953	67,547	127,117
Turnover - fixed margin property management		8,440	7,376	15,151
Total turnover		73,393	74,923	142,268
Operating expenses				
– Fund management and variable margin property management		(54,449)	(54,961)	(109,469)
– Fixed margin property management		(7,030)	(6,680)	(13,781)
– Exceptional costs	3	(5,457)	(2,965)	(23,851)
Amortisation of goodwill		(9,701)	(9,179)	(18,430)
Provisions for impairment of goodwill & intangible assets		–	–	(17,311)
Total administrative expenses		(76,637)	(73,785)	(182,842)
Exceptional amounts written off investments	3	–	(5,783)	(5,376)
Operating profit before goodwill amortisation, impairment provisions & exceptional operating items		11,914	13,282	19,018
Amortisation of goodwill, impairment provisions & exceptional operating items		(15,158)	(17,927)	(64,968)
<b>Operating loss</b>		(3,244)	(4,645)	(45,950)
Profit on disposal of management contracts	3	–	54,237	53,536
Net interest payable and similar charges		(6,402)	(7,700)	(13,985)
<b>(Loss) profit on ordinary activities before taxation</b>		(9,646)	41,892	(6,399)
Tax on (loss) profit on ordinary activities		(1,961)	(10,817)	(8,232)
<b>(Loss) profit on ordinary activities after taxation</b>		(11,607)	31,075	(14,631)
Minority interests - equity		(211)	(320)	(231)
<b>(Loss) profit attributable to shareholders</b>		(11,818)	30,755	(14,862)
Equity dividends on ordinary shares	1	(4,715)	(3,539)	(7,074)
Non equity dividends on preference shares		(45)	(318)	(589)
		(4,760)	(3,857)	(7,663)
<b>Retained (loss) profit for the financial period</b>		<b>(16,578)</b>	<b>26,898</b>	<b>(22,525)</b>
<b>Earnings (loss) per share - basic</b>				
Before goodwill amortisation, impairment provisions & exceptional items	5	1.56p	2.01p	3.10p
After goodwill amortisation, impairment provisions & exceptional items	5	(5.61p)	17.29p	(8.76p)
<b>Earnings (loss) per share - diluted</b>				
Before goodwill amortisation, impairment provisions & exceptional items	5	1.56p	2.01p	3.10p
After goodwill amortisation, impairment provisions & exceptional items	5	(5.61p)	17.29p	(8.76p)

Turnover and operating loss in the current and previous periods arise wholly from continuing activities.

There is no material difference between the (loss) profit on ordinary activities before taxation above and the historic cost equivalent.

# Group Statement of Total Recognised Gains and Losses

for the six months to 31 March 2004

	Notes	6 mths to 31 Mar 2004 £'000	6 mths to 31 Mar 2003 £'000	Year to 30 Sep 2003 £'000
(Loss) profit attributable to shareholders		(11,818)	30,755	(14,862)
Revaluation of fixed asset investment	8	4,428	3,171	3,171
Translation of foreign currency net investments		(915)	819	1,102
<b>Total recognised (losses) gains since last report</b>		<b>(8,305)</b>	<b>34,745</b>	<b>(10,589)</b>

# Group Balance Sheet

as at 31 March 2004

	Notes	31 Mar 2004 £'000	31 Mar 2003 £'000	30 Sep 2003 £'000
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible assets		41,598	47,251	42,408
Goodwill		332,577	324,221	302,459
Tangible assets		15,760	16,987	14,981
Investments		43,911	36,146	33,861
		<b>433,846</b>	<b>424,605</b>	<b>393,709</b>
<b>Current assets</b>				
Stock		335	284	192
Debtors		44,454	41,974	39,981
Investments		1,703	6,145	2,812
Cash at bank and in hand	6	14,741	7,813	23,003
		<b>61,233</b>	<b>56,216</b>	<b>65,988</b>
<b>Assets attributable to equity shareholders</b>		<b>495,079</b>	<b>480,821</b>	<b>459,697</b>
Assets of long-term life assurance business		238,854	242,126	247,328
<b>Total assets</b>		<b>733,933</b>	<b>722,947</b>	<b>707,025</b>
<b>LIABILITIES</b>				
<b>Capital and reserves</b>				
Called up share capital	7	23,575	28,034	28,034
Share premium account		19,484	19,205	19,205
Revaluation reserve	8	19,957	15,529	15,529
Other reserves	7	209,702	154,766	154,766
Profit & loss account		(66,774)	10,203	(38,938)
<b>Shareholders' funds</b>				
Equity		205,944	217,394	168,253
Non-equity		–	10,343	10,343
		<b>205,944</b>	<b>227,737</b>	<b>178,596</b>
<b>Minority interests - equity</b>		403	776	749
<b>Provisions for liabilities and charges</b>		7,525	6,776	4,179
<b>Creditors: due within one year, including convertible debt</b>				
Creditors		127,990	113,704	123,810
Convertible debt		14,963	23,724	19,562
		142,953	137,428	143,372
<b>Creditors: due after more than one year, including convertible debt</b>				
Creditors		40,353	10,947	35,272
Convertible debt		97,901	97,157	97,529
		138,254	108,104	132,801
		<b>495,079</b>	<b>480,821</b>	<b>459,697</b>
Liabilities of long - term life assurance business		238,854	242,126	247,328
<b>Total liabilities</b>		<b>733,933</b>	<b>722,947</b>	<b>707,025</b>

# Summary Group Cash Flow Statement

for the six months to 31 March 2004

	Notes	6 mths to 31 Mar 2004 £'000	6 mths to 31 Mar 2003 £'000	Year to 30 Sep 2003 £'000
<b>Net cash inflows from operating activities</b>				
Core cashflow from operating activities		(2,907)	13,465	17,082
Effects of short-term timing differences on unit trust settlements		9,786	(8,025)	(9,669)
	4	6,879	5,440	7,413
Returns on investments and servicing of finance		(5,679)	(7,684)	(14,749)
Taxation paid		(4,378)	(875)	(3,243)
Capital expenditure and financial investment		32,795	79,403	79,198
Acquisitions and disposals		(4,869)	(2,208)	(2,208)
Equity dividends paid		(3,538)	(3,774)	(7,311)
<b>Net cash inflow before financing</b>		21,210	70,302	59,100
<b>Financing</b>				
Issue of ordinary share capital		316	–	–
Redemption of preference share capital		(10,343)	(10,342)	(10,342)
Decrease in debt		(11,722)	(71,762)	(74,171)
<b>Decrease in cash</b>		<b>(539)</b>	<b>(11,802)</b>	<b>(25,413)</b>

## Reconciliation of net cash flow to movement in net debt

	Notes	6 mths to 31 Mar 2004 £'000	6 mths to 31 Mar 2003 £'000	Year to 30 Sep 2003 £'000
<b>Decrease in cash</b>		(539)	(11,802)	(25,413)
Decrease in long term debt		11,722	71,762	74,171
Amortisation of issue costs of convertible bonds		(372)	(372)	(744)
Loans assumed on acquisition of subsidiary		(11,844)	–	–
Conversion of bonds to ordinary shares		–	3	3
Translation difference		(915)	819	1,102
<b>Movement in net debt</b>		(1,948)	60,410	49,119
<b>Net debt brought forward</b>	6	(185,332)	(234,451)	(234,451)
<b>Net debt carried forward</b>	6	<b>(187,280)</b>	<b>(174,041)</b>	<b>(185,332)</b>

# Notes

## 1. Interim dividend

The interim ordinary dividend of 2p per share will be paid on 23 June 2004 to qualifying shareholders on the register at 21 May 2004.

## 2. Segmental information

### Turnover

	6 mths to 31 Mar 2004 £'000	6 mths to 31 Mar 2003 £'000	Year to 30 Sep 2003 £'000
Fund management	44,743	50,256	90,073
UK & Continental European property	10,226	9,020	18,839
Nordic property	18,424	15,647	33,356

<b>73,393</b>	<b>74,923</b>	<b>142,268</b>
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### Operating expenses (excluding exceptional costs)

Fund management	(37,554)	(40,584)	(79,859)
UK & Continental European property	(7,674)	(7,836)	(15,359)
Nordic property	(16,251)	(13,221)	(28,032)

<b>(61,479)</b>	<b>(61,641)</b>	<b>(123,250)</b>
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### Operating profit (before goodwill amortisation, impairment provisions & exceptional costs)

Fund management	7,189	9,672	10,214
UK & Continental European property	2,552	1,184	3,480
Nordic property	2,173	2,426	5,324

<b>11,914</b>	<b>13,282</b>	<b>19,018</b>
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### Operating loss (after goodwill amortisation, impairment provisions & exceptional costs)

Fund management	(6,788)	(7,080)	(51,698)
UK & Continental European property	1,693	326	1,058
Nordic property	1,851	2,109	4,690

<b>(3,244)</b>	<b>(4,645)</b>	<b>(45,950)</b>
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Included within the results for fund management are the results in respect of Edinburgh Fund Managers which was acquired on 24 October 2003. Following acquisition the operations of Edinburgh Fund Managers have been integrated with those of existing Group companies and can no longer be separately identified.

Conditional agreement has been reached to dispose of the UK and Continental European property division, as disclosed in the circular to shareholders dated 21 April 2004. On the assumption that the disposal is approved by shareholders these activities will be disclosed as discontinued activities in the accounts for the year to 30 September 2004.

The turnover and operating expenses in respect of the fixed margin business within the Nordic property division is shown on the face of the profit and loss account.

# Notes

	<b>6 mths to 31 Mar 2004</b>	<b>6 mths to 31 Mar 2003</b>	<b>Year to 30 Sep 2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>3. Exceptional items</b>			
<b>Exceptional costs</b>			
Recognised within operating loss			
Expenses in relation to redundancy and duplicate staff costs and cost reduction and rationalisation programme	4,281	1,135	8,662
Costs incurred in relation to regulatory matters and curtailment of activities in the UK retail market	1,176	1,830	11,655
Costs of aborted sale, subsequent rationalisation and other costs	–	–	3,534
	<b>5,457</b>	<b>2,965</b>	<b>23,851</b>
Amounts written off investments	–	5,783	5,376
	<b>5,457</b>	<b>8,748</b>	<b>29,227</b>

The amounts written off investments represent provisions made against the value of both fixed asset and current asset investments exposed to the split capital sector.

## Exceptional income

Profit on disposal of management contracts	–	<b>54,237</b>	<b>53,536</b>
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	<b>6 mths to 31 Mar 2004</b>	<b>6 mths to 31 Mar 2003</b>	<b>Year to 30 Sep 2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>4. Reconciliation of operating loss to operating cash flow</b>			
Operating loss	(3,244)	(4,645)	(45,950)
Depreciation charges	2,324	2,133	4,911
Amortisation of goodwill	9,701	9,179	18,430
Provision for impairment of goodwill	–	–	13,511
Amortisation of intangible assets	810	1,044	2,086
Provision for impairment of intangible assets	–	–	3,800
Profit on disposal of tangible fixed assets	–	–	(38)
Loss on disposal of fixed and current asset investments	816	–	77
Exceptional amounts written off fixed and current asset investments	–	5,783	5,376
Unrealised loss on current asset investments	–	–	282
Share of results of associated undertakings	–	–	(129)
Decrease in provisions for liabilities and charges	(1,654)	(510)	(1,320)
(Increase) decrease in stock	(143)	436	528
Decrease in debtors	335	13,765	16,728
Decrease in creditors	(2,066)	(21,745)	(10,879)
Net cash inflow from operating activities	<b>6,879</b>	<b>5,440</b>	<b>7,413</b>

<b>Analysis of the balances of cash as shown in the balance sheet</b>	<b>31 Mar 2004</b>	<b>Change in period</b>	<b>30 Sep 2003</b>	<b>Change in period</b>	<b>31 Mar 2003</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	14,741	(8,262)	23,003	15,190	7,813
Bank overdraft	(24,515)	5,002	(29,517)	(29,517)	–
	<b>(9,774)</b>	<b>(3,260)</b>	<b>(6,514)</b>	<b>(14,327)</b>	<b>7,813</b>

	<b>6 mths to 31 Mar 2004</b>	<b>6 mths to 31 Mar 2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of changes in cash</b>		
Net cash outflow before adjustment for the effects of foreign exchange	(539)	(11,802)
Effects of foreign exchange rate changes	(2,721)	655
	<b>(3,260)</b>	<b>(11,147)</b>

# Notes

## 5. Earnings per share

The calculations of earnings per share are based on the following (losses) profits and numbers of shares:

	Basic			Diluted		
	6 mths to 31 Mar 2004	6 mths to 31 Mar 2003	Year to 30 Sep 2003	6 mths to 31 Mar 2004	6 mths to 31 Mar 2003	Year to 30 Sep 2003
	£'000	£'000	£'000	£'000	£'000	£'000
(Loss) profit attributable to shareholders	(11,818)	30,755	(14,862)	(11,818)	30,755	(14,862)
Less non-equity dividends	(45)	(318)	(589)	(45)	(318)	(589)
(Loss) profit for financial period – FRS 14 basis	(11,863)	30,437	(15,451)	(11,863)	30,437	(15,451)
Goodwill amortisation and impairment provisions	9,701	9,179	35,741	9,701	9,179	35,741
Exceptional operating items (net of attributable taxation)	5,457	8,157	25,724	5,457	8,157	25,724
Profit on disposal of management contracts (net of attributable taxation)	–	(44,237)	(40,536)	–	(44,237)	(40,536)
Profit for the financial period before goodwill amortisation, impairment provisions & exceptional items	<b>3,295</b>	<b>3,536</b>	<b>5,478</b>	<b>3,295</b>	<b>3,536</b>	<b>5,478</b>
				<b>31 Mar 2004</b>	<b>31 Mar 2003</b>	<b>30 Sep 2003</b>
				<b>Number of</b>	<b>Number of</b>	<b>Number of</b>
				<b>shares</b>	<b>shares</b>	<b>shares</b>
				<b>000's</b>	<b>000's</b>	<b>000's</b>
Weighted average number of shares						
For basic earnings per share				211,314	176,050	176,458
Dilutive effect of exercisable share options				133	–	–
For diluted earnings per share				<b>211,447</b>	<b>176,050</b>	<b>176,458</b>

The Directors believe that the Group's results are more fairly represented by a measure of earnings per share which excludes exceptional items, impairment provisions and amortisation of goodwill and therefore also present earnings per share figures stated before these items are charged (credited) to the profit and loss account. The two measures of earnings per share can be reconciled as follows:

	Basic			Diluted		
	6 mths to 31 Mar 2004	6 mths to 31 Mar 2003	Year to 30 Sep 2003	6 mths to 31 Mar 2004	6 mths to 31 Mar 2003	Year to 30 Sep 2003
After goodwill amortisation, impairment provisions & exceptional items						
– FRS 14 basis	(5.61p)	17.29p	(8.76p)	(5.61p)	17.29p	(8.76p)
Add: goodwill amortisation and impairment provisions	4.59p	5.21p	20.25p	4.59p	5.21p	20.25p
Add: exceptional operating items, net of attributable taxation	2.58p	4.64p	14.58p	2.58p	4.64p	14.58p
Less: profit on disposal of management contracts (net of attributable taxation)	–	(25.13p)	(22.97p)	–	(25.13p)	(22.97p)
Before goodwill amortisation, impairment provisions & exceptional items	<b>1.56p</b>	<b>2.01p</b>	<b>3.10p</b>	<b>1.56p</b>	<b>2.01p</b>	<b>3.10p</b>

# Notes

	<b>At 30 Sep 2003</b>	<b>Cash flow</b>	<b>Arising on acquisitions</b>	<b>Other non cash changes</b>	<b>Exchange movement</b>	<b>At 31 Mar 2004</b>
<b>6. Analysis of changes in net debt</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	23,003	(5,541)	–	–	(2,721)	14,741
Bank overdraft	(29,517)	5,002	–	–	–	(24,515)
	(6,514)	(539)	–	–	(2,721)	(9,774)
Debt due within one year	(26,455)	8,929	(5,196)	(1,567)	–	(24,289)
Convertible debt due within one year	(19,562)	2,793	–	–	1,806	(14,963)
Debt due after more than one year	(35,272)	–	(6,648)	1,567	–	(40,353)
Convertible debt due after more than one year	(97,529)	–	–	(372)	–	(97,901)
	(178,818)	11,722	(11,844)	(372)	1,806	(177,506)
<b>Total</b>	<b>(185,332)</b>	<b>11,183</b>	<b>(11,844)</b>	<b>(372)</b>	<b>(915)</b>	<b>(187,280)</b>
<b>Net Gearing</b>	<b>103.8%</b>					<b>90.9%</b>

Completion of the proposed disposal of the Group's UK and Continental European property division, which is subject to the approval of shareholders, would further improve the Group's financial flexibility, as more fully described in the circular to shareholders dated 21 April 2004. Calculated on the pro forma basis disclosed in that circular, the net gearing ratio would decline to approximately 70%.

## 7. Share capital

On 24 October 2003 the Group acquired the entire share capital of Edinburgh Fund Managers Group plc. The consideration for the acquisition was entirely in shares and a total of 58,474,000 ordinary shares of 10p each were issued in this respect at a price of 86.5p per share.

On 31 October 2003 10,343,000 redeemable preference shares of £1 were redeemed at par and £10,343,000 has been transferred to the capital redemption reserve.

## 8. Revaluation of fixed asset investment

The Group's investment in the ordinary shares of Lombard International Assurance SA ("Lombard"), has been revalued to reflect the relevant share of Lombard's most recently published embedded value.

## 9. Contingent liabilities

In the Annual Reports to 30 September 2002 and 2003 the Company made detailed disclosures in respect of contingent liabilities which might exist due to the Group's involvement in the management and marketing of split capital closed-end funds ("Splits") and as manager of the Aberdeen Progressive Growth Unit Trust ("Progressive").

Aberdeen announced on 26 February 2004 that it had received details from a FOS adjudicator of a provisional assessment in respect of a case being examined by FOS in relation to a complaint brought by one investor in Progressive. The provisional assessment, which is not binding on either party, sets out the FOS adjudicator's view on this complaint, which FOS has been treating as a lead case. The provisional assessment proposes that the dispute between Aberdeen Unit Trust Managers Limited and the complainant be resolved by the payment of compensation to the complainant. After careful consideration of the provisional assessment, the Board believes it does not reflect the weight of evidence which Aberdeen has supplied to substantiate its position. Whilst remaining sensitive to the distress suffered by investors in Progressive and wishing to provide support to them on a voluntary basis, the Board cannot agree with the FOS adjudicator's opinion in this case. Aberdeen therefore exercised its right to have the case referred to the Financial Services Ombudsman for determination.

In the absence of further material developments, Aberdeen does not intend to make any further comment on this case in advance of the issue of such final determination, as to do so could be in breach of the obligation of confidentiality implicit in the FOS process and may have a bearing on the Group's responsibilities to its insurers. Were the FOS ultimately to make a final decision against the Continuing Group, any compensation would need to take into account the circumstances of individual cases. In this regard, given the advice of Aberdeen's solicitors and the lack of information as to both the number and quantum of claims, the Board considers it impossible to make any reasonable estimate of any potential liability of the Group.

Aberdeen Asset Managers Limited and Aberdeen Unit Trust Managers Limited (collectively "Aberdeen" in this paragraph) have initiated arbitration proceedings under their contracts of insurance with the insurers, which the insurers are defending. In those proceedings Aberdeen is seeking a declaration of the liability of the insurers under the terms of the contracts of insurance to indemnify Aberdeen, in respect of any ascertained liability to any investor in Progressive or in respect of any award of compensation made against Aberdeen by the Financial Services Ombudsman in favour of such investors, subject to the financial limits of the contracts of insurance.

In Jersey, on 8 January 2003, the Jersey Financial Services Commission, in the context of split capital funds, commenced an investigation into the affairs of Aberdeen Asset Managers Jersey Limited and Aberdeen Private Wealth Management Limited. These investigations are ongoing.

On 3 April 2003, the board of Real Estate Opportunities Limited ("REO") announced it had terminated its management contract with the Aberdeen Group with immediate effect and indicated that it held the Aberdeen Group liable for damages in respect of losses incurred on its income portfolio. No proceedings have been issued by REO. The Group does not accept the validity of REO's termination without notice. The Group has rejected the claim and, if proceedings are brought, they will be vigorously defended and the Group will counterclaim for its accrued fees relating to the 12 months notice period provided for in the management contract. It is not possible to quantify any exposure to damages in this regard.

The speculation that legal proceedings may be brought against a range of parties who have been involved in the Splits Sector continues. No notice of any legal proceedings related to the Group's involvement in the Splits Sector has been served against any member of the Group and any such proceedings would be defended robustly.

The FSA is continuing its review of the split capital investment trust sector and in relation to Progressive. Aberdeen is amongst the numerous companies that have been interviewed by the FSA and requested to provide further information. The Group has at all time co-operated with the FSA in its review and will continue to do so and the Board remains of the belief that the Group has at all times acted with complete integrity and in accordance with all relevant regulations and laws. The FSA has recently suggested to Aberdeen and the other firms under investigation that the parties consider taking part in collective settlement negotiations. This suggestion is currently under review by Aberdeen and Aberdeen has agreed with the FSA to make no comment on this matter until further notice.

Having taken legal advice and having reviewed the present progress of regulatory proceedings, the Board does not consider that any provision is appropriate in respect of the investigations and potential actions referred to above, and that it is appropriate to prepare the accounts on a going concern basis.

- 10.** The interim results have been prepared on the basis of the accounting policies set out in the Group's 2003 statutory accounts. The comparative figures for the financial year ended 30 September 2003 are not the company's statutory accounts for that year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.
- 11.** Copies of this statement are being sent to all shareholders. Copies can be obtained from the Company's registered office, 10 Queen's Terrace, Aberdeen, AB10 1YG.

# Independent Review Report by KPMG Audit Plc to Aberdeen Asset Management PLC

## **Introduction**

We have been instructed by the Company to review the financial information for the six months ended 31 March 2004 which comprises the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and Notes and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## **Contingent liabilities**

In forming our review conclusion, we have considered the adequacy of the disclosures made in note 9 to the Interim Report concerning the contingent liabilities of the Group in respect of the split-capital closed end fund sector generally, the Aberdeen Progressive Growth Unit Trust and the Real Estate Opportunities claim and their potential impact on the Group's funding position. In view of the significance of these uncertainties, we consider that they should be drawn to your attention but our review conclusion is not qualified in these respects.

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2004.



## **KPMG Audit Plc**

Chartered Accountants  
Aberdeen

30 April 2004

# Principal Offices

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*Details of other office locations can be found on the Group's website at [www.aberdeen-asset.com](http://www.aberdeen-asset.com)*

# Corporate Information

## Registrars

Lloyds TSB Registrars Scotland  
PO Box 28448  
Finance House, Orchard Brae  
Edinburgh EH4 1WQ

## Company Secretary

Scott E Massie

## Registered Office

10 Queen's Terrace  
Aberdeen AB10 1YG

## Auditors

KPMG Audit Plc  
Chartered Accountants  
37 Albyn Place  
Aberdeen AB10 1JB

## Bankers

Bank of Scotland  
Corporate Banking  
38 Albyn Place  
Aberdeen AB10 1ZG

## Registered Number

82015

## Stockbrokers

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20 Moorgate  
London EC2R 6DA



