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STEWART IVORY & COMPANY LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30TH JUNE 1994

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STEWART IVORY & COMPANY LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 30TH JUNE 1994**

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STEWART IVORY & COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 1994

The directors present their report and the audited financial statements for the year ended 30th June 1994.

1. Principal Activities and Status

The principal activities of the Company are the management of investment trusts and other investment portfolios including pension funds, charities and private clients. The Company is a wholly owned subsidiary of Stewart Ivory (Holdings) Limited which is a "close company" within the terms of the Income and Corporation Taxes Act 1988. The Company is a member of IMRO.

2. Review of Business and Future Developments

Profit before tax has again increased. The directors consider that this is a satisfactory result and that the Company continues to be in a strong position to benefit from future business opportunities.

3. Results and Dividends

The profit for the year after taxation was £1,414,732. First interim dividends of £5.30173 per 'A' Ordinary share and £4.28149 per 'B' Ordinary share were paid on 30th June 1994. Second interim dividends of £0.181919 per 'A' Ordinary share and £0.181919 per 'B' Ordinary share were paid on 30th June 1994 and third interim dividends of £0.755556 per 'A' Ordinary share and £0.755556 per 'B' Ordinary share have been declared payable on 4th October 1994. The balance on profit and loss account thus increased to £361,859.

4. Directors

The directors who served during the year and their interests in the share capital of Stewart Ivory (Holdings) Limited were as follows:

	30th June 1994		30th June 1993		
	Ord.	Options	'A' Ord.	'B' Ord.	Options
I J Blair	6,184	-			3,285*
J W Burns	7,730	-	-	-	-
D W R Ferguson	10,820	-	-	-	8,760
J G D Ferguson	21,567	-	6,377	15,190	-
A M M Finlay	3,864	-	847	2,020	-
D J Hume	7,730	-	-	-	5,475
I E Ivory	21,567	-	6,377	15,190	-
J Ivory	21,567	-	6,377	15,190	-
B M McCorkell	10,820	-	-	-	4,380
J G K Matterson	7,730	-	-	-	4,380
D H Shaw Stewart	7,730	-	-	-	4,380
M H Sims	7,730	-	-	-	5,475
A J Tulloch	21,567	-	-	-	6,570
E A W Tulloch	21,567	-	6,377	15,190	-
J G L Wright	21,567	-	6,377	15,190	-

* at date of appointment - 1st July 1993.

None of the directors has an interest in the share capital of the Company.

STEWART IVORY & COMPANY LIMITED**5. Directors' and Officers' Insurance**

The Company has effected a policy of insurance for its directors and officers in respect of potential liabilities arising from any negligence or error.

6. Fixed Assets

The movements in fixed assets during the year are set out in notes 9 and 10 to the accounts.

7. Charitable Donations

During the year the Company made charitable donations amounting to £9,408.

8. Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

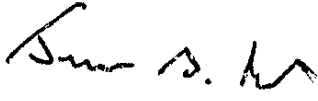
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th June 1994. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

9. Auditors

A resolution to re-appoint Coopers & Lybrand as the Company's auditors will be proposed at the Annual General Meeting.

By Order of the Board


J S Ayling
Secretary

EDINBURGH 22nd September 1994

**REPORT OF THE AUDITORS TO THE MEMBERS OF
STEWART IVORY & COMPANY LIMITED**

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2 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.

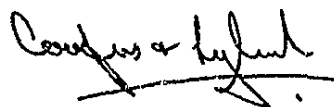
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes 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 Company'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 the Company's affairs at 30th June 1994 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors

EDINBURGH 22nd September 1994

STEWART IVORY & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 1994

	Notes	1994 £	1993 £
Continuing Operations			
Turnover	2	3,798,753	4,360,955
Administration Expenses	3	<u>4,297,386</u>	<u>3,976,065</u>
		(498,633)	384,890
Other income	4	<u>1,865,489</u>	<u>875,551</u>
Profit on ordinary activities before tax		1,366,856	1,260,441
Tax on ordinary activities	7	<u>(47,876)</u>	<u>214,278</u>
Profit for the financial year		1,414,732	1,046,163
Dividends	8	<u>1,274,305</u>	<u>1,285,743</u>
Retained profit/(loss) for the year	22	140,427	(239,580)
Retained profit brought forward		<u>221,432</u>	<u>461,012</u>
Retained profit carried forward		<u><u>361,859</u></u>	<u><u>221,432</u></u>

There were no discontinued operations or acquisitions during the year.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

STEWART IVORY & COMPANY LIMITED

BALANCE SHEET

AS AT 30TH JUNE 1994

	Notes	1994 £	1993 £
Fixed Assets			
Tangible assets	9	215,700	223,886
Investments:	10		
Shares in group companies		25,100	25,100
Shares in related companies		6,050	6,050
Other investments		<u>554,688</u>	<u>554,688</u>
		<u>585,838</u>	<u>585,838</u>
		<u>801,538</u>	<u>809,724</u>
Current assets			
Debtors: amounts falling due after one year	11	411,999	100,161
Debtors: amounts falling due within one year	12	1,928,090	2,872,749
Cash balances		<u>144,038</u>	<u>130,133</u>
		<u>2,484,127</u>	<u>3,103,043</u>
Creditors			
Amount falling due within one year	13	<u>1,598,806</u>	<u>2,366,335</u>
Net current assets		<u>885,321</u>	<u>736,708</u>
Total assets less current liabilities		<u>1,686,859</u>	<u>1,546,432</u>
Creditors			
Amount falling due after one year			
Subordinated loan	15	<u>1,100,000</u>	<u>1,100,000</u>
		<u>586,859</u>	<u>446,432</u>
Capital and Reserves			
Share Capital	16	225,000	225,000
Profit and Loss Account		361,859	221,432
Shareholders' funds	22	<u>586,859</u>	<u>446,432</u>

The financial statements on pages 4 to 15 were approved by the board of directors on 22nd September 1994 and were signed on its behalf by:

J G D Ferguson Director
J G D Ferguson

D W R Ferguson Director
D W R Ferguson

STEWART IVORY & COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 1994

	Notes	1994 £	1993 £
Net cash (outflow)/inflow from operating activities	19	(718,097)	526,747
Returns on investments and servicing of finance:			
Dividends received		2,478,375	42,359
Dividends paid		(1,469,306)	(1,130,906)
Interest received		<u>19,334</u>	<u>25,703</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		1,028,403	(1,062,844)
Taxation:			
UK Corporation tax (including ACT)		(151,043)	(279,402)
Investing activities:			
Purchase of investments		-	(549,187)
Sale of investments		-	920,938
Purchase of fixed assets		<u>(145,358)</u>	<u>(235,821)</u>
Net cash (outflow)/inflow from investing activities		(145,358)	135,930
Increase/(decrease) in cash and cash equivalents	20	<u>13,905</u>	<u>(679,569)</u>

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1994

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

(b) Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. There are no assets held under finance leases.

(c) Pension scheme arrangements

The company operates a non-contributory defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees' services. The effects of variations from regular costs are spread over the expected average remaining service lives of members of the scheme.

The Company provides no other post retirement benefits to its employees.

(b) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are consistent with those of the previous year and are:-

Leasehold improvements	-	4%
Office equipment	-	25%
Office furniture	-	14%
Computer software and network	-	33 $\frac{1}{3}$ %

STEWART IVORY & COMPANY LIMITED

(e) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. No provision has been made for advance corporation tax on the final dividend as it is anticipated that such tax will be fully recovered. Provision is made for deferred tax at the rate of corporation tax ruling at the year end except in respect of any tax reduction which can reasonably be expected to continue for the foreseeable future.

(f) Foreign Currencies

Income received in foreign currencies is translated into sterling at the rate on the date of receipt. Foreign currency balances have been translated at market rates of exchange ruling at the Balance Sheet date. Gains and losses on exchange are taken to the Profit and Loss account.

(g) Investments

Investments are shown in the Balance Sheet at the lower of cost or directors' valuation.

(h) Interest Income on Gilts

Interest income on government securities is accounted for when received.

2. Turnover

Turnover is the total of investment management and administration fees.

	1994 £	1993 £
3. Administration Expenses		
Employment costs (note 5)	2,574,253	2,595,302
Depreciation of fixed assets	148,414	99,790
Auditors' remuneration	6,750	6,650
Foreign exchange differences	(653)	(5,049)
Operating lease payments	203,801	213,197
Other expenses	1,364,821	1,066,175
	<u>4,297,386</u>	<u>3,976,065</u>

The remuneration of the Company's auditors for the provision of non-audit services was £39,944 (1993 - £14,050).

STEWART IVORY & COMPANY LIMITED

4. Other Income	1994 £	1993 £
Deposit interest received	19,334	29,822
Dividends received - unlisted investments	1,828,375	692,359
Property rental income	4,268	20,829
Profit on sale of investments	-	108,813
Other Income	13,512	23,728
	<u>1,865,489</u>	<u>875,551</u>

5. Information on Employees

The Company's employment costs, including those in respect of executive directors, are as follows:

Salaries	1,944,026	2,074,988
Social security costs	251,348	181,750
Pension and other costs (see note 18)	378,879	338,564
	<u>2,574,253</u>	<u>2,595,302</u>

The average number of employees, other than directors, employed by the Company was 59 (1993 - 42).

6. Directors' Emoluments

Directors' emoluments, as executives, including pension contributions	<u>1,292,668</u>	<u>1,396,939</u>
The emoluments, excluding pension contributions of - the chairman (and highest paid director 1994)	<u>96,400</u>	<u>111,807</u>
- the highest paid director (1993)	<u>-</u>	<u>169,652</u>

Number of directors whose emoluments, excluding pension contributions, were within the ranges:

£15,001	to	£20,000	-	1
£50,001	to	£55,000	2	-
£55,001	to	£60,000	2	2
£65,001	to	£70,000	2	-
£70,001	to	£75,000	-	2
£75,001	to	£80,000	2	-
£80,001	to	£85,000	6	1
£85,001	to	£90,000	-	1
£90,001	to	£95,000	-	4
£95,001	to	£100,000	1	-
£110,001	to	£115,000	-	1
£135,001	to	£140,000	-	1
£165,001	to	£170,000	-	1

STEWART IVORY & COMPANY LIMITED

7. Tax on profit on Ordinary Activities	1994 £	1993 £
U.K. corporation tax - current year at 33% (1993 - 34%)	-	149,390
- prior year	(2,216)	(3,276)
Group relief	(51,335)	-
Tax on Franked investment income	5,675	14,944
Deferred taxation - current year	-	54,080
- prior year	-	(910)
	<u>(47,876)</u>	<u>214,278</u>

8. Dividends	1994 £	£	1993 £	£
First interim - paid 30th June 1994:				
'A' Ordinary shares	519,654		510,371	
'B' Ordinary shares	<u>543,681</u>		<u>410,372</u>	
		1,063,335		920,743
Second interim - paid 30th June 1994:				
'A' Ordinary shares	17,848		-	
'B' Ordinary shares	<u>23,122</u>		-	
		40,970		-
Third interim - payable 4th October 1994:				
'A' Ordinary shares	74,057		159,005	
'B' Ordinary shares	<u>95,943</u>		<u>205,995</u>	
		170,000		365,000
		<u>1,274,305</u>		<u>1,285,743</u>

9. Tangible Fixed Assets

	Leasehold Improvements £	Office Furniture and Equipment £	Total £
<u>Cost</u>			
At 1st July 1993	10,629	895,652	906,281
Additions	-	145,358	145,358
Disposals	-	(449,592)	(449,592)
At 30th June 1994	<u>10,629</u>	<u>591,418</u>	<u>602,047</u>
<u>Depreciation</u>			
At 1st July 1993	2,550	679,845	682,395
Charge for the year	425	147,989	148,414
Disposals	-	(444,462)	(444,462)
At 30th June 1994	<u>2,975</u>	<u>383,372</u>	<u>386,347</u>
<u>Net Book Value</u>			
At 30th June 1994	<u>7,654</u>	<u>208,046</u>	<u>215,700</u>
At 30th June 1993	<u>8,079</u>	<u>215,807</u>	<u>223,886</u>

STEWART IVORY & COMPANY LIMITED

10. Investments

(a) Group Undertakings

The Company has the following subsidiary undertakings:-

Name of Company	Description of shares held	% held	Investment at cost	
			1994	1993
Stewart Ivory Unit Trust Managers Limited	Ordinary £1	100	£ 25,000	£ 25,000
Stewart Ivory & Company (International) Limited	Ordinary £1	100	100	100

The above companies are engaged in investment management.

Stewart Ivory Nominees Limited (non trading)	Ordinary £1	100	-	-
			<u>25,100</u>	<u>25,100</u>

Consolidated accounts have not been prepared in respect of the Company and its subsidiaries as the results and financial position of the companies are reflected in the financial statements of the ultimate holding company - Stewart Ivory (Holdings) Limited, which is registered in Scotland.

In the opinion of the directors the aggregate value of the Company's investment in its subsidiaries is not less than the aggregate of the amount at which the investment is stated in the balance sheet.

(b) <u>Associated Undertakings</u>	1994	1993
	£	£
Unlisted shares at cost	<u>6,050</u>	<u>6,050</u>

These shares are in respect of a 50% interest in the ordinary share capital of the following investment companies:

- (i) BUE-Stewart Management Limited which is incorporated in Guernsey.
- (ii) Cunningham-Stewart Ivory Limited which is registered in Northern Ireland.
- (iii) Stewart OLIM Limited (non trading) which is registered in Scotland.

The results of these companies are not incorporated into the group financial statements and the directors are of the opinion that they do not exercise ultimate control and that there would be no benefit to be derived on the grounds that the net assets and results of these companies are immaterial to the group. Unaudited financial statements for the year ended 30th June 1994 for BUE Stewart Management show capital and reserves of £25,309 and fee income of £7,605. Unaudited financial statements have been prepared to 30th June 1994 for Cunningham Stewart Ivory which show capital and reserves of £2,372 and fee income of £45,549. In the opinion of the directors the market value of these investments exceeds their cost.

STEWART IVORY & COMPANY LIMITED

10. Investments (continued)

(c) <u>Other Investments</u>	1994 £	1993 £
Securities		
Listed	549,188	549,188
Unlisted	5,500	5,500
	<u>554,688</u>	<u>554,688</u>

These investments are shown at cost. The market value of listed securities at 30th June 1994 was £597,395 (1993 - £591,000). The unlisted securities are included at directors' valuation.

11. Debtors : amounts falling due after one year

Unsecured loan	369,499	-
Tax recoverable	42,500	100,161
	<u>411,999</u>	<u>100,161</u>

The loan is to Stewart Ivory Group ESOP Trustee Ltd. Interest is charged at the Royal Bank of Scotland plc base rate from time to time. The loan is repayable in 5 equal annual instalments, the first repayment is due on 5th October 1995. The interest payment dates will co-incide with the loan repayment dates.

12. Debtors : amounts falling due within one year

Trade debtors	890,383	668,709
Group undertakings	859,748	1,163,322
Tax recoverable	-	223,788
Prepayments	84,400	74,223
Dividend receivable	-	650,000
Other debtors	93,559	92,707
	<u>1,928,090</u>	<u>2,872,749</u>

13. Creditors: amounts falling due within one year

Group undertakings	468,967	535,162
Taxation and social security *	456,335	470,280
Dividends payable	170,000	365,000
Accruals	503,504	994,107
Other creditors	-	1,786
	<u>1,598,806</u>	<u>2,366,335</u>

* Taxation and social security comprises:

UK corporation tax payable	-	-
ACT payable	306,201	366,626
PAYE & NI	64,753	43,231
Customs & Excise	85,381	60,423
	<u>456,335</u>	<u>470,280</u>

STEWART IVORY & COMPANY LIMITED

14. Deferred Taxation

	1994		1993	
	Full Potential Liability £	Provision Made £	Full Potential Liability £	Provision Made £
Accelerated capital allowances	(59,298)	-	(49,112)	-
Other timing differences	17,622	-	15,210	-
ACT recoverable	(42,500)	(42,500)	(100,161)	(100,161)
	<u>(84,176)</u>	<u>(42,500)</u>	<u>(134,063)</u>	<u>(100,161)</u>

The total amount of ACT recoverable has been treated as a debtor due after more than one year (see note 11).

15. Subordinated Loan

Under the terms of an agreement with Stewart Ivory (Holdings) Limited, that company has granted an interest-free loan of £1,100,000 of no fixed term subordinated to the claims of all creditors to the Company.

16. Share Capital

	Authorised, Issued and Fully Paid	
	1994 £	1993 £
'A' Ordinary shares of £1	98,016	98,016
'B' Ordinary shares of £1	126,984	126,984
	<u>225,000</u>	<u>225,000</u>

17. Commitments

Commitments for payments in respect of operating leases to be made in the next year are as follows:-

	Land & Buildings		Plant & Equipment	
	1994 £	1993 £	1994 £	1993 £
Leases expiring within one year	-	-	47,805	39,372
Leases expiring between two and five years	-	-	34,009	34,536
Leases expiring after five years	142,000	142,000	-	-
	<u>142,000</u>	<u>142,000</u>	<u>81,814</u>	<u>73,908</u>

The Company had no capital commitments at 30th June 1994.

STEWART IVORY & COMPANY LIMITED

18. Pension Obligations

The Company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the Company.

The total pension cost for the Company was £312,988 (1993 - £294,218). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the attained age method. The latest actuarial valuation of the scheme was at 1st September 1992. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 3% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £2,351,000 and the actuarial value of the assets was sufficient to cover 118% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

19. Net cash flow from operating activities

	1994 £	1993 £
Operating (loss)/profit	(498,633)	384,890
Other operating income	17,780	44,557
Operating (loss)/profit	<u>(480,853)</u>	<u>429,447</u>
Depreciation on tangible fixed assets	148,414	99,790
Loss on disposal of tangible fixed assets	5,130	-
Decrease/(Increase) in debtors	78,816	(706,862)
(Decrease)/increase in creditors	<u>(469,604)</u>	<u>704,372</u>
	<u>(718,097)</u>	<u>526,747</u>

20. Analysis of changes in cash and cash equivalents during the year

Balance at 30th June 1993	130,133	809,702
Net cash inflow/(outflow)	13,905	(679,569)
Balance at 30th June 1994	<u>144,038</u>	<u>130,133</u>

21. Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet

	1994 £	1993 £	Change in year £
Cash at bank and in hand	<u>144,038</u>	<u>130,133</u>	<u>13,905</u>

STEWART IVORY & COMPANY LIMITED

22. Reconciliation of movements in shareholders' funds	1994 £	1993 £
Profit for the financial year	1,414,732	1,046,163
Dividends	(1,274,305)	(1,285,743)
	<u>140,427</u>	<u>(239,580)</u>
Opening shareholders' funds	446,432	686,012
Closing shareholders' funds	<u>586,859</u>	<u>446,432</u>