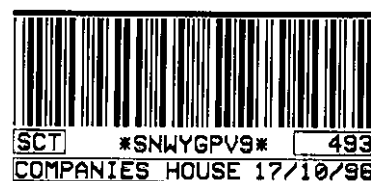


STEWART IVORY & COMPANY LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 30TH JUNE 1996**

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STEWART IVORY & COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 1996

The directors present their report and the audited financial statements for the year ended 30th June 1996.

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 regulated by 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 £2,640,185. The following interim dividends have been paid.

1st Interim Dividend of £0.15 per 'A' Ordinary Share paid 25th January 1996

2nd Interim Dividend of £0.87 per 'A' Ordinary Share paid 9th April 1996

3rd Interim Dividend of £2.62 per 'A' Ordinary Share paid 9th April 1996

4th Interim Dividend of £3.70 per 'A' Ordinary Share payable 4th October 1996

1st Interim Dividend of £2.02 per 'B' Ordinary Share paid 9th April 1996

2nd Interim Dividend of £4.79 per 'B' Ordinary Share payable 4th October 1996

The directors do not recommend a final dividend.

The balance retained on the profit and loss account was thus £2,835,375

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 1996	30th June 1995
	Ord.	Ord.
I J Blair	7,730	7,730
J W Burns	7,730	7,730
D W R Ferguson	10,820	10,820
J G D Ferguson	21,567	21,567
A M M Finlay	3,864	3,864
D J Hume	7,730	7,730
I E Ivory	21,567	21,567
J Ivory	21,567	21,567
B M McCorkell	10,820	10,820
J G K Matterson	7,730	7,730
D H Shaw Stewart	10,820	7,730
M H Sims	7,730	7,730
A J Tulloch	21,567	21,567
E A W Tulloch	21,567	21,567
J G L Wright	21,567	21,567

None of the directors has an interest in the share capital of the Company.
Miss J G K Matterson resigned on 24th July 1996.

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. Charitable Donations

During the year the Company made charitable donations amounting to £19,940.

7. 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.

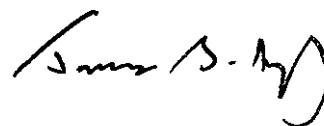
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th June 1996. The directors also confirm that applicable accounting standards 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.

8. 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 19th September 1996

**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.

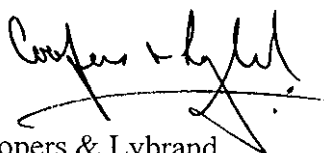
Basis of opinion

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 1996 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 3rd October 1996

STEWART IVORY & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 1996

	Notes	1996 £	1995 £
Continuing Operations			
Turnover	2	4,808,419	4,159,827
Administration Expenses	3	5,648,500	5,070,628
Operating loss		(840,081)	(910,801)
Other income	4	3,253,672	3,130,631
Profit on ordinary activities before tax		2,413,591	2,219,830
Tax on profit on ordinary activities	7	(226,594)	(289,183)
Profit for the financial year		2,640,185	2,509,013
Dividends	8	1,552,364	1,123,318
Retained profit for the year		1,087,821	1,385,695
Retained profit brought forward		1,747,554	361,859
Retained profit carried forward		2,835,375	1,747,554

There were no discontinued operations or acquisitions during the year.

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.

The Statement of Total Recognised Gains and Losses, which shows a decrease in unrealised gains of £47,860, is shown at note 22.

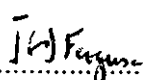
STEWART IVORY & COMPANY LIMITED

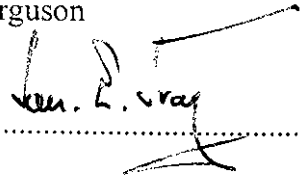
BALANCE SHEET

AS AT 30TH JUNE 1996

	Notes	1996 £	1995 £
Fixed Assets			
Tangible assets	9	415,831	219,721
Investments:	10		
Shares in group companies		25,100	25,100
Shares in related companies		1,050	6,050
Other investments		<u>1,310,512</u>	<u>1,259,466</u>
		1,336,662	1,290,616
		<u>1,752,493</u>	<u>1,510,337</u>
Current assets			
Debtors: amounts falling due after one year	11	762,429	502,605
Debtors: amounts falling due within one year	12	3,523,157	2,659,406
Cash balances		<u>1,970,596</u>	<u>1,493,507</u>
		6,256,182	4,655,518
Creditors			
Amount falling due within one year	13	<u>3,784,822</u>	<u>2,981,963</u>
Net current assets		2,471,360	1,673,555
Total assets less current liabilities		<u>4,223,853</u>	<u>3,183,892</u>
Creditors			
Amount falling due after one year			
Subordinated loan	15	<u>1,100,000</u>	<u>1,100,000</u>
		<u>3,123,853</u>	<u>2,083,892</u>
Capital and Reserves			
Share Capital	16	225,000	225,000
Profit and Loss Account		2,835,375	1,747,554
Revaluation Reserve		63,478	111,338
Equity Shareholders' funds	24	<u>3,123,853</u>	<u>2,083,892</u>

The financial statements on pages 4 to 15 were approved by the board of directors on 19th September 1996 and were signed on its behalf by:


 Director
 J G D Ferguson


 Director
 I E Ivory

STEWART IVORY & COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 1996

	Notes	1996 £	1995 £
Net cash (outflow) from operating activities	19	(1,100,791)	(1,227,860)
Returns on investments and servicing of finance:			
Dividends received		3,027,982	3,820,875
Dividends paid		(1,262,015)	(644,058)
Interest received		98,958	43,099
Net cash inflow from returns on investments and servicing of finance		1,864,925	3,219,916
Taxation:			
UK Corporation tax (incl.ACT)		131,985	133,891
Investing activities:			
Purchase of investments		(947,109)	(598,940)
Sale of investments		946,968	4,125
Sale of associated undertakings		5,000	-
Purchase of fixed assets		(423,889)	(181,663)
Net cash (outflow) from investing activities		(419,030)	(776,478)
Increase in cash and cash equivalents	20	477,089	1,349,469

STEWART IVORY & COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1996

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 as modified for the valuation of government securities.

(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.

(d) 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	-	15%
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. 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, with the exceptions of Government Securities which are at mid-market value on the Balance Sheet date.

(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.

3. **Administration Expenses**

	1996 £	1995 £
Employment costs (note 5)	3,885,378	3,567,889
Depreciation of fixed assets	215,791	177,642
Auditors' remuneration	7,000	6,950
Foreign exchange differences	(5,253)	10,439
Operating lease payments	224,328	206,206
Loss on disposal of fixed assets	11,988	-
Other expenses	1,309,268	1,101,502
	<u>5,648,500</u>	<u>5,070,628</u>

The remuneration of the Company's auditors for the provision of non-audit services was £61,105 (1995 - £103,190).

STEWART IVORY & COMPANY LIMITED

4. Other Income	1996 £	1995 £
Deposit interest received	98,958	43,099
Dividends received - unlisted investments	3,027,982	3,070,875
Profit (loss) on sale of investments	98,765	(1,375)
Other Income	27,967	18,032
	<u>3,253,672</u>	<u>3,130,631</u>

5. Information on Employees

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

Salaries	3,015,633	2,714,397
Social security costs	352,035	346,046
Pension and other costs (see note 18)	517,710	507,446
	<u>3,885,378</u>	<u>3,567,889</u>

The average number of employees, other than directors, employed by the Company was 67. (1995 - 64).

6. Directors' Emoluments

Directors' emoluments, as executives, including pension contributions

<u>1,612,534</u>	<u>1,630,769</u>
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The emoluments, excluding pension contributions of - the chairman and highest paid director

<u>134,920</u>	<u>139,019</u>
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Number of directors whose emoluments, excluding pension contributions, were within the ranges:

£50,001	to	£55,000	-	1
£55,001	to	£60,000	2	1
£60,001	to	£65,000	-	1
£65,001	to	£70,000	1	-
£70,001	to	£75,000	1	3
£75,001	to	£80,000	3	-
£80,001	to	£85,000	-	1
£85,001	to	£90,000	1	-
£90,001	to	£95,000	1	1
£95,001	to	£100,000	-	1
£110,001	to	£115,000	5	-
£115,001	to	£120,000	-	5
£130,001	to	£135,000	1	-
£135,001	to	£140,000	-	1

STEWART IVORY & COMPANY LIMITED

7.	Tax on profit on Ordinary Activities	1996 £	1995 £
	Group relief - current year	(197,791)	(220,197)
	- prior year	(33,178)	(73,161)
	Tax on Franked investment income	4,375	4,175
		<u>(226,594)</u>	<u>(289,183)</u>

8.	Dividends	1996 £	1995 £
	'A' Ordinary Shares		
	1st interim paid 25th January 1996	14,565	21,238
	2nd interim paid 9th April 1996	85,433	78,762
	3rd interim paid 9th April 1996	256,378	187,029
	4th interim payable 4th October 1996	<u>469,805</u>	<u>324,630</u>
		826,181	611,659
	'B' Ordinary Shares		
	1st interim paid 9th April 1996	256,378	187,029
	2nd interim payable 4th October 1996	<u>469,805</u>	<u>324,630</u>
		726,183	511,659
		<u>1,552,364</u>	<u>1,123,318</u>

9. Tangible Fixed Assets

	Leasehold Improvements £	Office Furniture and Equipment £	Total £
<u>Cost</u>			
At 1st July 1995	10,629	769,481	780,110
Additions	-	423,889	423,889
Disposals	-	(34,055)	(34,055)
At 30th June 1996	<u>10,629</u>	<u>1,159,315</u>	<u>1,169,944</u>
<u>Depreciation</u>			
At 1st July 1995	3,400	556,989	560,389
Charge for the year	425	215,366	215,791
Disposals	-	(22,067)	(22,067)
At 30th June 1996	<u>3,825</u>	<u>750,288</u>	<u>754,113</u>
<u>Net Book Value</u>			
At 30th June 1996	<u>6,804</u>	<u>409,027</u>	<u>415,831</u>
At 30th June 1995	<u>7,229</u>	<u>212,492</u>	<u>219,721</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	
			1996 £	1995 £
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>	1996 £	1995 £
Unlisted shares at cost	<u>1,050</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) Cunningham-Stewart Ivory Limited which is registered in Northern Ireland.
- (ii) Stewart OLIM Limited (non trading) which is registered in Scotland.

The results of these companies are not incorporated into the Group financial statements as 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. Audited financial statements have been prepared to 30th June 1996 for Cunningham Stewart Ivory which show capital and reserves of £2,107 and fee income of £54,316. 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>	1996 £	1995 £
Listed securities - at Market Value	<u>1,310,512</u>	<u>1,259,466</u>

11. Debtors : amounts falling due after one year

Unsecured loans	466,719	340,290
Tax recoverable	295,710	162,315
	<u>762,429</u>	<u>502,605</u>

The unsecured loans are to Stewart Ivory Group ESOP Trustee Limited to enable it to make loans to employees who participate in the Stewart Ivory Group ESOP. Interest is charged at The Royal Bank of Scotland plc base rate from time to time. The loans are repayable in 5 equal annual instalments. The interest payment dates will co-incide with the loan repayment dates.

12. Debtors : amounts falling due within one year

Trade debtors	1,263,451	1,075,302
Group undertakings	1,865,029	1,284,302
Prepayments	180,648	102,800
Other debtors	214,029	197,002
	<u>3,523,157</u>	<u>2,659,406</u>

13. Creditors: amounts falling due within one year

Group undertakings	1,624,505	1,202,324
Taxation and social security *	626,552	426,195
Dividends payable	939,609	649,260
Accruals	594,156	704,184
	<u>3,784,822</u>	<u>2,981,963</u>

* Taxation and social security comprises:

ACT payable	445,258	275,521
PAYE & NI	93,944	85,463
VAT	87,350	65,211
	<u>626,552</u>	<u>426,195</u>

STEWART IVORY & COMPANY LIMITED

14. Deferred Taxation

	1996		1995	
	Full Potential Liability £	Provision Made £	Full Potential Liability £	Provision Made £
Accelerated capital allowances	(80,108)	-	(73,271)	-
Other timing differences	29,822	-	24,750	-
ACT recoverable	(234,902)	(234,902)	(162,315)	(162,315)
	<u>(285,188)</u>	<u>(234,902)</u>	<u>(210,836)</u>	<u>(162,315)</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	
	1996 £	1995 £
'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	
	1996 £	1995 £	1996 £	1995 £
Leases expiring within one year	-	-	-	31,690
Leases expiring between two and five years	47,500	-	17,858	15,626
Leases expiring after five years	142,000	142,000	-	-
	<u>189,500</u>	<u>142,000</u>	<u>17,858</u>	<u>47,316</u>

The Company had no capital commitments at 30th June 1996.

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 £497,506 (1995 - £435,935). 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 1995. 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 4.5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £4,790,060 and the actuarial value of the assets was sufficient to cover 109% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

19. Net cash flow from operating activities	1996 £	1995 £
Operating (loss)	(840,081)	(910,801)
Other operating income	27,967	18,032
	<u>(812,114)</u>	<u>(892,769)</u>
Depreciation on tangible fixed assets	215,791	177,642
Loss on disposal of fixed assets	11,988	-
Loss on sale of investments	-	1,375
(Increase) in debtors	(1,859,229)	(1,449,439)
Increase in creditors	1,342,773	935,331
	<u>(1,100,791)</u>	<u>(1,227,860)</u>
20. Analysis of changes in cash and cash equivalents during the year		
Balance at 30th June 1995	1,493,507	144,038
Net cash inflow	477,089	1,349,469
Balance at 30th June 1996	<u>1,970,596</u>	<u>1,493,507</u>

STEWART IVORY & COMPANY LIMITED

21.	Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet	1996	1995	Change in year
		£	£	£
	Cash at bank and in hand	<u>1,970,596</u>	<u>1,493,507</u>	<u>477,089</u>
22.	Statement of Total Recognised Gains and Losses	1996 £	1995 £	
	Profit for the financial year	2,640,185	2,509,013	
	Decrease in unrealised gain on investments	<u>(47,860)</u>	<u>111,338</u>	
	Total recognised gain and losses	<u>2,592,325</u>	<u>2,620,351</u>	
23.	Revaluation Reserve			
	Balance at 30th June 1995	111,338		
	Realised Gain on sale of investment	(98,765)		
	Unrealised gain on investments	<u>50,905</u>		
	Balance at 30th June 1996	<u>63,478</u>		
24.	Reconciliation of movements in shareholders' funds	1996 £	1995 £	
	Total recognised gain and losses	2,592,325	2,620,351	
	Dividends	<u>(1,552,364)</u>	<u>(1,123,318)</u>	
		<u>1,039,961</u>	<u>1,497,033</u>	
	Opening shareholders' funds	2,083,892	586,859	
	Closing shareholders' funds	<u>3,123,853</u>	<u>2,083,892</u>	