

STEWART IVORY & COMPANY LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 30TH JUNE 1999**

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STEWART IVORY & COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 1999

The Directors present their report and the audited financial statements for the year ended 30th June 1999.

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. The Company is regulated by IMRO.

2. Review of Business and Future Developments

The Directors consider that the results are satisfactory 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 £1,772,773. The following interim dividends have been paid and are payable.

1st Interim Dividend of £1.02 per 'A' Ordinary Share paid 8th April 1999.
 2nd Interim Dividend of £4.63 per 'A' Ordinary Share paid 8th April 1999.
 3rd Interim Dividend of £4.40 per 'A' Ordinary Share payable 1st October 1999.
 1st Interim Dividend of £3.57 per 'B' Ordinary Share paid 8th April 1999.
 2nd Interim Dividend of £3.40 per 'B' Ordinary Share payable 1st October 1999.

The Directors do not recommend a final dividend.

The balance retained on the Profit and Loss Account was thus £3,303,553.

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 1999	30th June 1998
	Ord.	Ord.
I J Blair	7,730	7,730
J W Burns	9,230	7,730
J G D Ferguson	21,567	21,567
A M M Finlay (resigned 9.7.99)	3,864	3,864
D J Hume	7,730	7,730
I E Ivory (resigned 9.7.99)	21,567	21,567
J Ivory	21,567	21,567
B M McCorkell	12,320	10,820
D H Shaw Stewart	12,320	10,820
M H Sims	7,730	7,730
J K Thomson	21,567	10,820
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.

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STEWART IVORY & COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 1999

4. Directors (continued)

The Board has appointed the following seven Directors with effect from 2nd August 1999:

R S G Allison, J S Ayling, A M Balfour, M M Brooks, F M Mullan, A R L Sharp and M G Tulloch.

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 £38,133.

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 1999. 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 for the prevention and detection of fraud and other irregularities.

8. Year 2000 Compliance

The Directors are aware of the publicity regarding the ability of computer systems to cope with the change to a new millennium. As a consequence, the Stewart Ivory Group had its core in-house investment management and accounting software Year 2000 compliant as at 31st December 1998. Other in-house electronic systems were confirmed as being Year 2000 compliant at 30th June 1999. However, it is not possible to be absolutely certain that the Group will not encounter any problems in January 2000. In addition, the ability of external service providers to cope with Year 2000 continues to be assessed.

The identifiable cost of ensuring all of Stewart Ivory's in-house systems are Year 2000 compliant has been expensed in the year of payment where there is no enhanced benefit accruing, otherwise the development cost will be written off over the normal period for software depreciation. However, it has not been possible, either in this accounting period or for previous periods, to quantify the costs relating directly to ensuring that the Group's hardware and software is made Year 2000 compliant. This compliance has largely been achieved as a by-product of enhancing the existing systems and the cost of management time involved in assessing the compliance of external parties is also not quantifiable.

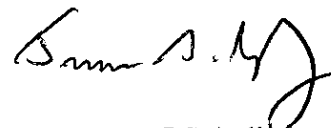
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STEWART IVORY & COMPANY LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30TH JUNE 1999

9. Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

By Order of the Board



J S Ayling
Secretary

EDINBURGH
23rd September 1999

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

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out in Note 1.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 2 of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 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 amount 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Edinburgh
23rd September 1999

STEWART IVORY & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 1999

	Notes	1999	1998
		£	£
Turnover	2	5,961,653	5,682,797
Administration Expenses	3	8,197,073	7,261,925
Operating loss		(2,235,420)	(1,579,128)
Other income	4	3,480,749	3,777,827
Profit on ordinary activities before taxation		1,245,329	2,198,699
Tax relief on profit on ordinary activities	7	(527,444)	(351,763)
Profit for the financial year		1,772,773	2,550,462
Dividends paid and payable	8	1,869,768	2,127,887
Retained (loss)/profit for the year		(96,995)	422,575
Retained profit brought forward		3,400,548	2,977,973
Retained profit carried forward		3,303,553	3,400,548

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.

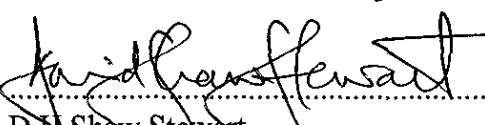
The Statement of Total Recognised Gains and Losses, which shows an increase in unrealised gains of £9,932 is shown at note 19.

STEWART IVORY & COMPANY LIMITED
BALANCE SHEET
AS AT 30TH JUNE 1999

		1999		1998	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	9		609,224		577,376
Investments:	10				
Shares in group companies		25,100		25,100	
Shares in joint arrangement		1,000		1,000	
Shares in associated company		50		50	
Other investments		367,795		357,863	
			393,945		384,013
			1,003,169		961,389
Current assets					
Debtors: amounts falling due after one year	11	630,337		1,096,865	
Debtors: amounts falling due within one year	12	3,558,424		3,390,910	
Cash at bank		2,973,651		3,702,978	
		7,162,412		8,190,753	
Creditors					
Amounts falling due within one year	13	3,469,159		4,368,657	
Net Current Assets			3,693,253		3,822,096
Total Assets			4,696,422		4,783,485
Creditors					
Amounts falling due after one year					
Subordinated loan	15		1,100,000		1,100,000
Net Assets			3,596,422		3,683,485
Capital and Reserves					
Share Capital	16		225,000		225,000
Profit and Loss Account			3,303,553		3,400,548
Revaluation Reserve	20		67,869		57,937
Equity Shareholders' funds	21		3,596,422		3,683,485

The financial statements on pages 5 to 15 were approved by the Board of Directors on 23rd September 1999 and were signed on its behalf by:

 Director
J G D Ferguson

 Director
D H Shaw Stewart

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

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 these 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.

One Director has arranged to have his pension contributions paid into his own money purchase pension 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

(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 exception of Government Securities which are valued at mid-market value on the Balance Sheet date.

(h) Interest income on gilts

Interest income on Government Securities is accounted for when received.

(d) Cashflow statement

No cashflow statement has been prepared as a consolidated cashflow statement is included in the financial statements of the ultimate holding company, Stewart Ivory (Holdings) Limited.

2. Turnover

Turnover is the total of investment management and administration fees.

	1999	1998
	£	£
3. Administration Expenses		
Employment costs (note 5)	5,386,216	5,013,600
Depreciation of fixed assets	390,168	372,083
Auditors' remuneration	6,150	7,250
Foreign exchange differences	(1,731)	324
Operating lease payments	234,020	203,660
Other expenses	2,182,250	1,665,008
	8,197,073	7,261,925

The remuneration of the Company's auditors for the provision of non-audit services was £42,902 (1998 - £64,930).

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

4. Other Income	1999	1998
	£	£
Deposit interest received	262,451	352,425
Dividends received – unlisted investments	3,130,559	3,416,437
Other income	87,739	8,965
	<u>3,480,749</u>	<u>3,777,827</u>

5. Information On Employees	1999	1998
	£	£
Salaries	4,189,306	3,945,424
Social security costs	414,344	389,276
Pension and other costs (see note 18)	782,566	678,900
	<u>5,386,216</u>	<u>5,013,600</u>

The average number of employees, including Directors, employed by the Company was 105 (1998 - 97).

6. Directors' Emoluments	1999	1998
	£	£
Directors' emoluments, as executives, including pension contributions	<u>1,775,790</u>	<u>1,723,054</u>
Emoluments, excluding pension contributions, of the highest paid Director	<u>150,483</u>	<u>148,833</u>
Pension contributions, of the highest paid Director	<u>27,333</u>	<u>27,440</u>

Retirement benefits are accruing to all but one of the Directors (1998 - all but one) under the Group's defined benefit scheme. The accrued retirement benefit to the highest paid Director at the period end was £69,633 (1998 - £66,556).

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

7. Tax On Profit On Ordinary Activities		1999	1998
		£	£
Group relief	- current year	(473,915)	(355,008)
	- prior year	(53,529)	(10,043)
Tax on Franked investment income		-	13,288
		<u>(527,444)</u>	<u>(351,763)</u>

8. Dividends	1998		1999	
	£	£	£	£
<u>'A' Ordinary Shares</u>				
1st interim paid	100,000		22,171	
2nd interim paid	453,750		77,833	
3rd interim payable	431,134		375,526	
4th interim payable			62,753	
5th interim payable			575,662	
		<u>984,884</u>		<u>1,113,945</u>
<u>'B' Ordinary Shares</u>				
1st interim paid	453,750		375,526	
2nd interim payable	431,134		62,753	
3rd interim payable			575,663	
		<u>884,884</u>		<u>1,013,942</u>
		<u>1,869,768</u>		<u>2,127,887</u>

9. Tangible Fixed Assets	Leasehold Improvements	Office Furniture and Equipment	Total
	£	£	£
<u>Cost</u>			
At 1st July 1998	10,629	1,975,386	1,986,015
Additions	-	422,016	422,016
At 30th June 1999	<u>10,629</u>	<u>2,397,402</u>	<u>2,408,031</u>
<u>Depreciation</u>			
At 1st July 1998	4,675	1,403,964	1,408,639
Charge for the year	425	389,743	390,168
At 30th June 1999	<u>5,100</u>	<u>1,793,707</u>	<u>1,798,807</u>
<u>Net Book Value</u>			
At 30th June 1999	<u>5,529</u>	<u>603,695</u>	<u>609,224</u>
At 30th June 1998	<u>5,954</u>	<u>571,422</u>	<u>577,376</u>

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

10. Investments

(a) Group Undertakings

The Company has the following subsidiary undertakings:

Name of Company	Description of shares held	% held	Investment at cost	
			1999 £	1998 £
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 nominee company)	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) Associated Undertakings

	1999 £	1998 £
Unlisted shares at cost	<u>50</u>	<u>50</u>

These shares are in respect of a 50% interest in the Ordinary share capital of Stewart OLIM Limited (non trading) which is registered in Scotland.

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

10. Investments (continued)

(c) <u>Other Investments</u>	1999 £	1998 £
Listed securities - at Market Value	367,795	357,863
Investment in joint arrangement	1,000	1,000
	<u>368,795</u>	<u>358,863</u>

The investment in joint arrangement represents a 50% interest in Cunningham Stewart Ivory Limited which is registered in Northern Ireland.

11. Debtors : amounts falling due after one year	1999 £	1998 £
Unsecured loans	448,967	705,765
Tax recoverable	181,370	391,100
	<u>630,337</u>	<u>1,096,865</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 coincide with the loan repayment dates.

12. Debtors : amounts falling due within one year	1999 £	1998 £
Trade debtors	1,613,514	1,525,813
Group undertakings	1,602,231	1,456,435
Prepayments	95,984	174,423
Other debtors	246,695	234,239
	<u>3,558,424</u>	<u>3,390,910</u>

13. Creditors: amounts falling due within one year	1999 £	1998 £
Group undertakings	1,560,778	1,699,580
Taxation and social security *	334,939	725,882
Dividends payable	862,268	1,151,325
Accruals	584,262	791,870
Bank Overdraft	126,912	
	<u>3,469,159</u>	<u>4,368,657</u>

* Taxation and social security comprises:

Income tax/ACT payable	115,117	528,563
PAYE & NI	140,778	123,969
VAT	79,044	73,350
	<u>334,939</u>	<u>725,882</u>

13.

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

14. Deferred Taxation

	1999		1998	
	Full Potential Liability	Provision Made	Full Potential Liability	Provision Made
Accelerated capital allowances	(93,055)	-	(112,774)	-
Other timing differences	(16,924)	-	35,751	-
ACT recoverable	-	-	(287,831)	(287,831)
	<u>(109,979)</u>	<u>-</u>	<u>(364,854)</u>	<u>(287,831)</u>

The total amount of ACT recoverable in 1998 was 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	
	1999 £	1998 £
'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	
	1999 £	1998 £	1999 £	1998 £
Leases expiring within one year	-	3,958	-	5,656
Leases expiring between two and five years	85,250	-	4,585	-
Leases expiring after five years	142,000	179,500	-	-
	<u>227,250</u>	<u>183,458</u>	<u>4,585</u>	<u>5,656</u>

The Company has capital commitments at 30th June 1999 of £nil (1998 - £151,900).

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

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 £743,558 (1998 - £648,657). 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 1998. 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 8% per annum, that salary increases would average 6% per annum and that present and future pensions would increase at the rate of 4% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £8,577,500 and the actuarial value of the assets was sufficient to cover 108% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

19. Statement Of Total Recognised Gains And Losses

	1999	1998
	£	£
Profit for the financial year	1,772,773	2,550,462
Increase in unrealised gain on investments	9,932	21,995
Total recognised gains and losses	<u>1,782,705</u>	<u>2,572,457</u>

20. Revaluation Reserve

	1999	1998
	£	£
Balance at 30th June 1998	57,937	35,942
Unrealised gain on investments	9,932	21,995
Balance at 30th June 1999	<u>67,869</u>	<u>57,937</u>

21. Reconciliation of Movements in Shareholders' Funds

	1999	1998
	£	£
Total recognised gains and losses	1,782,705	2,572,457
Dividends paid and payable	(1,869,768)	(2,127,887)
	(87,063)	444,570
Opening shareholders' funds	3,683,485	3,238,915
Closing shareholders' funds	<u>3,596,422</u>	<u>3,683,485</u>

STEWART IVORY & COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999

22. Related Party Disclosures

The Company's income is solely derived from its activities as a manager and an administrator of investment portfolios for its clients under the terms of investment management contracts and may on a strict interpretation be deemed to be a "related party" to its clients within the definition of Financial Reporting Standard 8 - Related Party Disclosures.

23. Ultimate Holding Company

The ultimate holding company is Stewart Ivory (Holdings) Limited, which is registered in Scotland.