1903304

CHARLES STANLEY & CO LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 1997

Saffery Champness

CHARTERED ACCOUNTANTS

CHARLES STANLEY & CO LIMITED

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DIRECTORS AND COMPANY INFORMATION

DIRECTORS

Sir Edward Howard Bt., GBE., D.Sc., MSI - (Chairman)
D H S Howard MA, MSI
E M Clark MSI
P A Hurst FCA, ACIB, MSI

SECRETARY

E R Hurrell MSI

REGISTERED OFFICE

25 Luke Street
London
EC2A 4AR

COMPANY REGISTRATION NUMBER

1903304

BANKERS

Bank of Scotland Plc
59 Haymarket
London
SW1Y 4QY

AUDITORS

Saffery Champness
Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

The directors submit their report and the financial statements for the year ended 31 March 1997.

RESULT AND DIVIDEND

The profit for the year after taxation amounted to £2,376,978 (1996: £2,747,848). Dividends of 48.26p (1996: 34.48p) per share amounting to £1,400,000 (1996: £1,000,000) were paid during the year.

PRINCIPAL ACTIVITY

The company is a member of the Securities and Futures Authority and the London Stock Exchange and carries on business as an agency broker.

REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

1996/97 was another excellent year for Charles Stanley. We continue to build the company's assets and turnover, the latter reaching a new record of £17.3 million. The year has been dominated by the introduction of Crest, the electronic settlement system. At the same time we have been steadily fitting out, and expanding into, our new premises at Luke Street, in London.

Numerous other developments are taking place, too. Examples are the planned introduction by the Stock Exchange of electronic order book trading, and the changes in the arrangements for settling gilt-edged transactions.

We view all of these challenges as opportunities for continued growth. They require an enormous amount of detailed planning by our highly skilled and dedicated staff, working as a close-knit team; and they involve the company in heavy financial commitment, too.

DIRECTORS

The directors named on page 1 served throughout the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The following statement which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 4, is made for the purpose of clarifying for members the respective responsibilities of the directors and the auditors in the preparation of the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that financial year. In preparing those financial statements, the directors are required to use appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The company's auditors, Saffery Champness, are willing to continue in office and a resolution proposing their re-appointment and authorising the directors to fix their remuneration will be put to the annual general meeting.

By order of the board

E R Hurrell
Secretary

10 June 1997

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report 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 affairs of the company as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

SAFFERY CHAMPNESS

Chartered Accountants
Registered Auditors
London

10 June 1997

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1997

	Notes	1997	1996
TURNOVER		17,337,903	15,816,943
Operating expenses		14,670,279	12,849,381
OPERATING PROFIT	3	2,667,624	2,967,562
Bank interest receivable		417,336	583,035
		3,084,960	3,550,597
Interest payable	5	1,285	4,947
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,083,675	3,545,650
TAXATION	6	706,697	797,802
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,376,978	2,747,848
Dividends	7	1,400,000	1,000,000
		976,978	1,747,848
BALANCE BROUGHT FORWARD		3,434,520	1,686,672
BALANCE CARRIED FORWARD		£4,411,498	£3,434,520

There were no recognised gains or losses in the company other than those reflected above. All activities are continuing.

The notes on pages 7 to 11 form part of these financial statements.

BALANCE SHEET
31 MARCH 1997

	Notes	1997	1997	1996	1996
FIXED ASSETS					
Investment	8		30,000		30,000
CURRENT ASSETS					
Investments		61,180		-	
Debtors	9	74,920,892		49,150,221	
Cash at bank and in hand		5,391,617		7,142,493	
		80,373,689		56,292,714	
CREDITORS (amounts falling due within one year)	10	73,092,191		49,988,194	
NET CURRENT ASSETS			7,281,498		6,304,520
TOTAL ASSETS LESS CURRENT LIABILITIES			£7,311,498		£6,334,520
CAPITAL AND RESERVES					
Called up share capital	11		2,900,000		2,900,000
Profit and loss account			4,411,498		3,434,520
SHAREHOLDERS' FUNDS	12		£7,311,498		£6,334,520

Approved by the board on 10 June 1997

D H S Howard)
) Directors
P Hurst)

David H S Howard

The notes on page 7 to 11 form part of these financial statements.

1 ACCOUNTING POLICIES

Basis of Accounts

The company has adopted the following accounting policies which should be read in conjunction with the financial statements set out on page 5 to 11 which have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments.

The accounts have been prepared in accordance with applicable accounting standards.

Exchange Rates

Assets and liabilities denominated in overseas currencies are translated into sterling at the appropriate rates of exchange ruling at the balance sheet date. Exchange differences are written off to profit and loss account.

Fixed Asset Investments

Listed investments are included at market value. Unlisted investments are included at directors' valuation.

Turnover

Income represents gross commission on all transactions executed during the year together with investment management fees and other stockbroking income.

Deferred Taxation

Provision is made, using the liability method, for taxation at the currently projected rates in respect of items where there is a timing difference between their treatment for accounts and taxation purposes, if, in the opinion of the directors, it is probable that a material tax liability will crystallise in the foreseeable future.

Pension Costs

The company operates a defined contribution scheme for certain employees and a defined benefits scheme for other staff. The assets of both schemes are held in separate independently administered funds. Contributions to the former scheme are charged to the profit and loss account when paid. Contributions to the latter scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

2 PARTICULARS OF STAFF

	1997	1996
The average number of persons employed during the year was:		
Administrative	-	128
Dealers and researchers	-	46
	-	174

Staff costs

	1997	1996
Wages and salaries	-	4,591,338
Social security costs	-	395,535
Other pension costs	-	265,227
	£-	£5,252,100

All staff have been transferred to another company within the group.

3 OPERATING PROFIT

This is stated after charging/(crediting):

	1997	1996
Bad debt provision	£64,704	£59,863
Management fees paid to group undertakings	£5,937,482	£574,562
Auditors' remuneration - audit fees	£33,550	£36,183
- non-audit fees	£6,368	£6,000
Hire of equipment	£144	£138

4 DIRECTORS' EMOLUMENTS

	1997	1996
Management remuneration including pension contributions	£-	£342,150

Additional particulars of the emoluments (excluding pension contributions) of the directors:

	1997	1996
Highest paid director	£-	£159,705

5 INTEREST PAYABLE

	1997	1996
On bank overdraft	£1,285	£4,947

6 TAXATION

	1997	1996
The tax charge is based on the profit for the year and is made up as follows:		
Current - corporation tax at 33% (1996: 33%)	647,198	793,000
Prior years - corporation tax	59,499	4,802
	£706,697	£797,802

The charge for the year has been reduced by £405,000 (1996: £338,000) in respect of group relief.

7 DIVIDENDS

	1997	1996
Paid interim of 24.13p per share (1996: 34.48p)	700,000	1,000,000
Paid second interim of 24.13p (1996: nil p)	700,000	-
	£1,400,000	£1,000,000

8 FIXED ASSET INVESTMENTS

Unlisted investments		
At cost and valuation 1 April 1996 and 31 March 1997	£30,000	£30,000

9 DEBTORS

Stockbroking debtors	73,710,755	48,547,408
Amount owed by group undertakings	680,274	117,769
Other debtors	166,151	127,509
Prepayments and accrued income	363,712	357,535
	£74,920,892	£49,150,221

10 CREDITORS (amounts falling due within one year)

Stockbroking creditors	177,909,546	127,179,165
Less funds held in protected bank accounts on behalf of clients	106,924,985	79,768,984
	70,984,561	47,410,181
Owed to fellow subsidiaries	555,243	-
Corporation tax	646,196	793,000
Other creditors	189,898	505,823
Other taxes and social security	332,703	806,206
Accruals and deferred income	383,590	472,984
	£73,092,191	£49,988,194

11 CALLED UP SHARE CAPITAL

	1997	1996
Authorised:		
5,000,000 Ordinary shares of £1 each	£5,000,000	£5,000,000
Allotted, issued and fully paid		
2,900,000 Ordinary shares of £1 each	£2,900,000	£2,900,000

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997	1996
Profit for the year	2,376,978	2,747,848
Dividends	(1,400,000)	(1,000,000)
Net addition to shareholders' funds	976,978	1,747,848
Opening shareholders' funds	6,334,520	4,586,672
Closing shareholders' funds	£7,311,498	£6,334,520

13 CONTINGENT LIABILITIES

In the normal course of business the company undertakes to satisfy claims relating to the delivery of securities and the entitlements attaching thereto. At 31 March 1997 there were no known claims not provided for in these financial statements.

14 HOLDING COMPANY AND SUBSIDIARIES

The ultimate holding company is Charles Stanley Group Plc. Copies of the group accounts prepared by the holding company are available from the registered office shown on page 1.

The percentage of issued capital of subsidiaries held is:

Name of company	Activity	Ordinary shares
Rock (Nominees) Limited	Nominee Company	100%
Exempt Nominees Limited	Nominee Company	100%

The company is exempt from the obligation to prepare and deliver group accounts because it is included in the group accounts of the ultimate holding company.