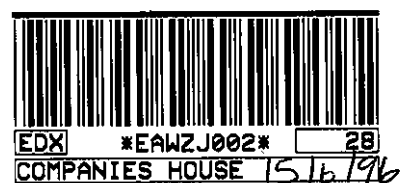


MERCURY ASSET MANAGEMENT GROUP plc

Company Number 951043

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1996**



MERCURY ASSET MANAGEMENT

OUR OBJECTIVE is to be the most successful international investment management group serving pension funds, other institutions and private investors.

WE SEEK to achieve our objective by the active management of clients' portfolios, by observing the most rigorous professional standards, by maintaining the excellence of our systems and by attracting and retaining people of the highest quality.

WE MEASURE our success by the extent to which we satisfy the changing requirements of our clients while providing increasing value to our shareholders.

FINANCIAL HIGHLIGHTS

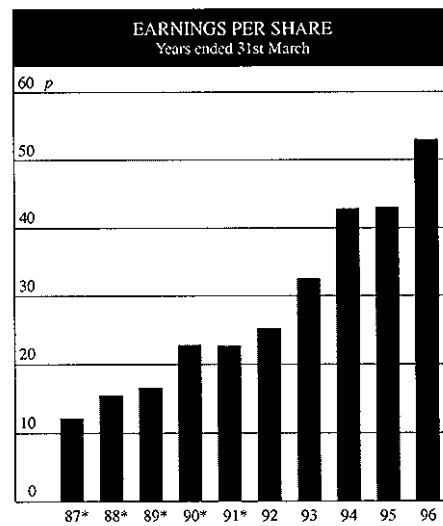
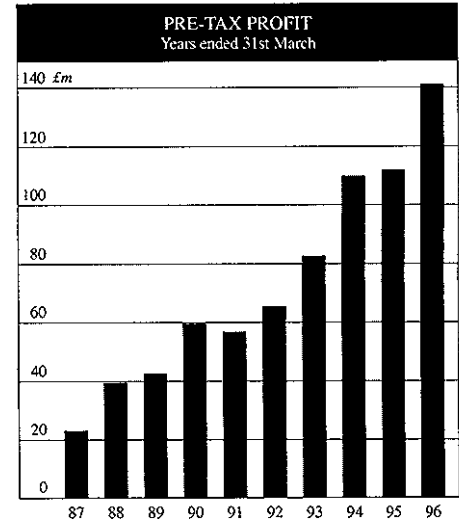
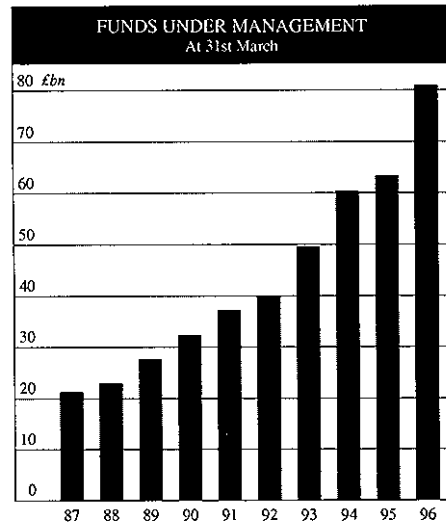
Years ended 31st March	1992	1993	1994	1995	1996
Profit before taxation	£65.1m	£82.3m	£109.5m	£111.5m	£140.4m
Earnings per share	25.4p	32.6p	42.9p	43.1p	53.0p
Ordinary dividends per share	11.5p	15.0p	22.5p	26.0p	35.0p
Equity shareholders' funds	£137.6m	£174.3m	£211.6m	£231.8m	£237.3m
Total funds under management	£40.0bn	£49.7bn	£60.4bn	£63.5bn	£81.0bn

MERCURY ASSET MANAGEMENT GROUP plc

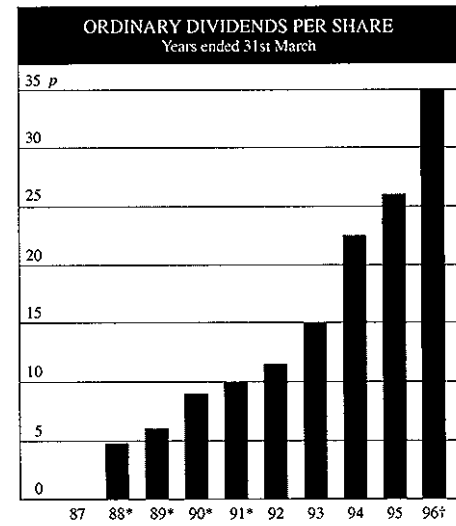
AMSTERDAM BAHRAIN BRISBANE FRANKFURT GENEVA HONG KONG ISLE OF MAN JERSEY LONDON

LUXEMBOURG MADRID MELBOURNE MONTREAL NEW YORK SEOUL SINGAPORE SYDNEY TAIPEI TOKYO ZURICH

MERCURY ASSET MANAGEMENT

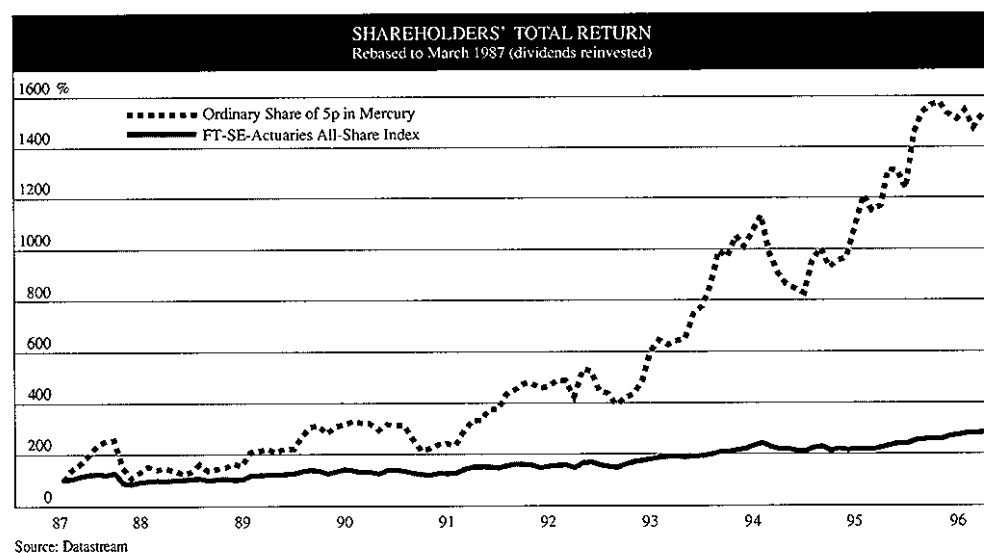
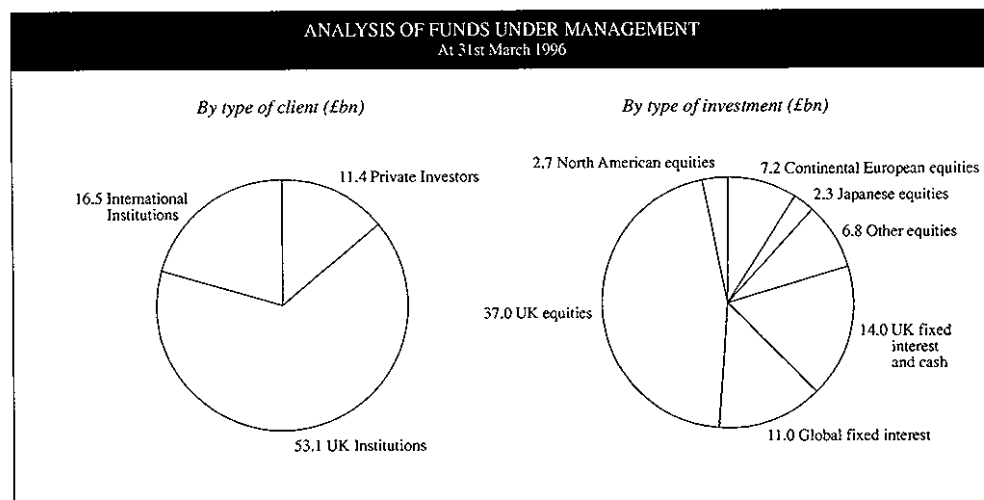


*Restated for capitalisation issue in December 1991



†Excluding special dividend paid in August 1995

*Restated for capitalisation issue in December 1991



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RESULTS AND DIVIDENDS

RESULTS

Group profit before taxation increased from £111.5 million to £140.4 million.

Earnings per share increased from 43.1p to 53.0p.

Equity shareholders' funds increased from £231.8 million to £237.3 million.

Net new business amounted to £3.3 billion.

Funds under management increased from £63.5 billion to £81.0 billion.

DIVIDEND

The Board recommends a final dividend of 29.0p per share, to be paid on 3rd July 1996 to shareholders on the register on 11th June 1996.

This dividend, together with the interim dividend of 6.0p per share declared in November 1995, will result in total ordinary dividends of 35.0p per share, compared with ordinary dividends of 26.0p per share paid in respect of the previous year.

In addition to the ordinary dividends, a special dividend of 40.0p per share was paid on 23rd August 1995 to the minority shareholders on the register on 18th July 1995.

CHAIRMAN'S STATEMENT

RESULTS

This has been an eventful year, during which Mercury became a fully independent company. I am therefore pleased to be able to report profit before taxation of £140.4 million, an increase of 25.9 per cent. over the profit for the previous year. Earnings per share rose by 23.0 per cent. from 43.1p to 53.0p per share.

Funds under management increased by 27.6 per cent. from £63.5 billion to £81.0 billion. The rise was due to the increase in value of clients' portfolios, to net new business of £3.3 billion and to the inclusion for the first time of £1.5 billion of funds managed by our subsidiary in Australia. During the first half of the year the level of new business was affected by uncertainties surrounding our ownership structure and the future of the S.G. Warburg Group. Following the resolution of these uncertainties and the rebranding of all our activities outside the United Kingdom under the Mercury name, net new business for the second half of the year amounted to £2.5 billion.

Turnover rose by 12.3 per cent. while operating expenses from continuing activities rose by 10.6 per cent. In addition to the increase in our operating profit, there was also a greater contribution from other income. This was due in part to the successful realisation of a number of development capital investments, to which we had committed our own funds alongside those of our clients.

As part of the Scheme of Arrangement and related transactions under which Mercury became a fully independent company, we received the sum of £35 million from the S.G. Warburg Group. This has been treated as an exceptional credit. We have shown an equivalent sum as an exceptional item representing the direct costs of the Scheme and other expenses associated with our transition to full independence, including the costs of promoting the Mercury name and changes to our deferred compensation schemes. In addition, our minority shareholders at that time were paid a special dividend of 40.0p per share, amounting to £18.2 million in total.

DIVIDENDS

The Board is recommending a final dividend of 29.0p per share which, combined with the interim dividend declared in November 1995, results in ordinary dividends for the year of 35.0p per share, an increase of 34.6 per cent. over the dividends paid in respect of the previous year.

The total ordinary dividends will be covered 1.54 times by profits. The Board considers this level of cover to be appropriate, given our cash flow and the liquidity of our balance sheet. At the end of the year, shareholders' funds were £237.3 million.

REVIEW OF BUSINESS

UK Institutions

(Total funds under management: £53.1 billion; net new business: £1.2 billion)

The UK pension fund industry continues to offer opportunities for managers who can provide a good investment performance record and a flexible response to the changing demands of trustees. Our UK pension fund performance in 1995 was strong, with positive contributions from each of the principal areas of investment activity and this is reflected in Mercury's record of outperformance against industry benchmarks.

Historically, the pension fund market in the UK, and therefore our domestic business, has been concentrated in the area of defined benefit schemes. More recently there has been a change of emphasis in favour of defined contribution schemes, which relieve employers of uncertainty over future funding requirements. Defined contribution schemes present significant potential for growth for investment managers with the flexibility to provide tailored investment management and administration services. We have already attracted substantial inflows into the money purchase pension products provided by Mercury Life. We hope to continue this growth in the coming year.

Mercury Development Capital, which specialises in making unquoted investments, had another good year. A number of profitable realisations contributed both to the performance achieved for clients and to the growth in Mercury's own investment income. Since the year end, we have realised a further profit of approximately £8.0 million, which is not included in these accounts, on the disposal of further holdings in development capital investments to which we had committed funds alongside our clients.

The Mercury Property Fund completed a number of high profile investments. Mercury's property division was named Property Fund Management Team of the Year for 1995 by Property Week, the journal of the Royal Institution of Chartered Surveyors.

International Institutions

(Total funds under management: £16.5 billion; net new business: £1.8 billion)

Our business in North America has grown significantly and particular success was achieved in gaining specialist equity and global bond mandates. Funds under management from the region increased to US\$5.5 billion, including net new business of US\$1.2 billion won predominantly in the second half of the year.

CHAIRMAN'S STATEMENT continued

We sustained our good performance record in the fixed interest area and attracted substantial new accounts not only from the US but also from Europe and Asia. New clients included pension funds, insurance companies and governmental organisations.

In Japan, we have benefited from the deregulation of the financial services industry which has allowed greater access to local investors by foreign houses. We now manage portfolios for 39 Japanese pension funds from both the state and corporate sectors.

In November 1995, we completed the acquisition in Australia of the outstanding 50 per cent. interest in Potter Warburg Asset Management Limited which we did not previously own. The company, which has been renamed Mercury Asset Management Limited, manages both institutional and retail funds for a broad range of Australian clients.

Continental Europe provides both a principal market for investment and a source of client funds for the group. Our fund management subsidiary in Germany, which was established in 1994, now has 11 institutional mandates and funds under management of almost DM1.0 billion.

Our joint venture with Munich Re, Munich London Investment Management, will be 10 years old this autumn. Funds under management and advisory portfolios have increased by more than 50 per cent. during the year to over £850 million.

NBK Investment Management, the venture with the National Bank of Kuwait in which we have a 40 per cent. interest, had a successful year and launched two new offshore funds under the NBKIM label.

Private Investors

(Total funds under management: £11.4 billion; net new business: £0.3 billion)

Our UK and international private client businesses suffered in the first half of the year from the uncertainties over the group's ownership and, in the case of Mercury Bank AG in Switzerland, from the enforced change in its trading name. However, strong inflows in the second half brought the level of funds under management for private clients, including funds managed in Switzerland, to £5.5 billion.

Mercury Fund Managers consolidated its position as the fourth largest manager of unit trusts in the United Kingdom. We undertook a detailed review of our retail unit trusts and, as a

result, have further strengthened the investment management process. These changes have been effective and, on the back of strong performance across a broad range of funds, gross sales of Mercury unit trusts again exceeded £500 million.

Our charities business continued to grow. Our specialist Common Investment Funds for charities performed well and now have a combined value in excess of £400 million.

A number of new offshore funds were launched under the Mercury Selected Trust umbrella, including the Mercury Selected Trust Eastern European fund in December 1995.

In the investment trust area, we launched Southern Africa Investors Ltd. in conjunction with Sanlam, the leading South African life assurance company. We also completed the restructuring of Mercury Grosvenor Trust and supported a number of initiatives to address the discount to net asset value of shares in Mercury European Privatisation Trust. All the investment trusts managed by Mercury performed well on an asset value basis.

Group Services

I have referred in previous years to expenditure on our infrastructure, the benefits of which are now being seen in increased operating efficiency. The growth in volumes of business has more than justified the importance given to developing technology both in the front office and in our fund administration activities.

PEOPLE

The investment performance which we achieve for our clients and the financial results which we achieve for our shareholders depend above all on the talents and commitment of those who work in our group. We employ a relatively small number of people and the contribution of individual members of the firm is the principal component of our success. I am deeply grateful to all those whose efforts have produced such good results during a period of extraordinary change.

I have outlined before the arrangements which we have had in place since 1989 whereby significant amounts of employee compensation are deferred, on the basis that any payment is conditional on continued employment and that the amount receivable is dependent on the level of the Company's share price. During the year, the estimated net present value of the

CHAIRMAN'S STATEMENT continued

liability for compensation deferred in this way rose from £68.4 million to £77.6 million. This liability is substantially offset by investments held by our Employee Trust, including holdings of the Company's shares purchased in the market.

We compete in a free market with many other firms – in the United Kingdom and elsewhere – both for our clients' mandates and for the most talented people. In order to deliver good investment performance for our clients over an extended period, we must retain and develop over the longer term the team which we have built up. This challenge has never been more clearly presented than during the recent period of uncertainty over our ownership. I have no doubt of the importance of our deferred remuneration arrangements in retaining and motivating our people.

Last year I reported that we had been recognised as an Investor in People, the first investment management group to receive such recognition. We have derived great benefit from the Investors in People programme, which provides a framework for the management and development of staff to improve business performance.

BOARD

Peter Urquhart has decided to retire from active business at this year's Annual General Meeting. He joined Mercury in 1981 as a fund manager and has been a director of the Company since 1993. He has played an important role in our pension fund business for many years and we are very grateful to him for his outstanding contribution.

Sir Alfred Shepperd, who is currently Chairman of the Audit Committee, will also retire with effect from the close of this year's Annual General Meeting. Sir Alfred has served as a non-executive director of the Company since its flotation and he leaves us with our best wishes and warm thanks.

John Stancliffe was appointed as a non-executive director of the Company on 25th March 1996 and, in accordance with the Articles of Association, he will offer himself for reappointment at the Annual General Meeting. Subject to his reappointment, it is intended that he will then become Chairman of the Audit Committee and a member of the Senior Appointments and Remuneration Committee.

OUTLOOK

As fund managers we have a duty to our clients to seek the creation of long-term shareholder value from the companies in which our clients' assets are invested. We are no less conscious of our duty to our own shareholders to create value for them.

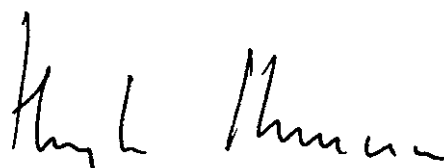
Since Mercury's flotation in 1987, the total return to shareholders from their investment has been 15.3 times; in other words, £1,000 invested in the Company's shares at that time, together with reinvested dividends, would currently be worth over £15,000. Over the same period, a similar investment in the FT-SE-Actuaries All-Share Index would be worth £2,800.

As populations age, the provision of adequate retirement incomes has become one of the great economic and social issues of the day. We may confidently expect further growth in the demand for the skilled management of retirement and other forms of savings. We have the record of superior investment performance and client service to obtain a greater share of a growing market, both in the United Kingdom and in other countries.

We are not, however, prepared to seek growth for its own sake. We cannot and do not pursue every market and every possibility for new business. We judge the opportunities open to us above all against the yardstick of profitability and the creation of value for our shareholders.

As always, our revenues will vary with the levels of the stock and bond markets in which our clients' funds are invested and it is therefore impossible to make any prediction of the outcome for the current year. But if we deliver to our clients good investment performance and efficient fund administration, and if we can attract and retain the best people, I have every confidence that we will create further value for our shareholders.

Mercury has come through its transition to full independence in good shape.



FINANCIAL REVIEW

RESULTS

Profit before taxation in the year ended 31st March 1996 increased by 25.9 per cent. to £140.4 million and earnings per share rose to 53.0p per share, an increase of 23.0 per cent. compared with the previous year.

SEPARATION FROM S.G.WARBURG GROUP PLC

An explanation of the Company's separation from S.G. Warburg Group plc ("SGW") is provided in note 2 on the accounts on page 42. The format of the profit and loss account has been changed this year so as to identify clearly the exceptional credit of £35 million which was received by the Company under the terms of the separation and the associated exceptional costs. These charges include amounts paid by the group for expenses associated with the transition to full independence as well as the direct costs attributable to Mercury of the Scheme of Arrangement and related transactions. The exceptional costs also include charges for promoting our business under the Mercury name and changes to deferred compensation schemes. Share issue costs of £0.95 million, incurred in connection with the issue of shares to former SGW shareholders under the terms of the Scheme of Arrangement, have been charged to the share premium account.

A special dividend of 40.0p per share, amounting to £18.2 million in total, was paid to the former minority shareholders of the Company on 23rd August 1995 and is shown within the heading of dividends on the face of the profit and loss account.

The balance sheets of the group and the Company include a liability of £49.0 million in respect of loan notes which were issued by the Company to those former shareholders of SGW who elected to receive loan notes as part of the consideration for the acquisition of SGW shares under the terms of the Scheme of Arrangement. The SGW shares were subsequently sold to SBCI Swiss Bank Corporation Investment banking Ltd., to provide the assets which offset the liability under the loan notes. The assets are included in current asset investments in the group balance sheet. The balance sheets of the group and the Company also show a transfer to the capital redemption reserve of £6.9 million following the purchase and cancellation of shares in the Company held by SGW.

TURNOVER

Turnover comprises investment management fees, commission income earned on certain securities transactions and initial charges earned on the sale of unit trusts and offshore funds. In the year ended 31st March 1996, turnover increased by 12.3 per cent. to £286.3 million. Investment management fees increased by 15.7 per cent. in the year as a result of a similar increase in average funds under management.

Commission income earned on securities transactions fell by 14.1 per cent. in the year and represents approximately 10.0 per cent. of total revenues. Initial charges earned on the sale of unit trusts fell by 27.1 per cent. as a result of weaker retail markets in the first half of the year. Revenue expressed as a percentage of average funds under management decreased slightly to 40 basis points in the year ended 31st March 1996 from 41 basis points in the previous year.

OPERATING COSTS

Operating costs, excluding exceptional charges, increased by 10.6 per cent. to £183.8 million in the year ended 31st March 1996. Variable remuneration and provisions for deferred compensation increased with higher profits whilst underlying expenses rose by approximately 4.0 per cent. The consolidation of the results of Mercury Asset Management Limited in Australia in the second half of the year also added £4.1 million to reported operating costs.

Operating costs, expressed as a percentage of average funds under management, were 26 basis points for the year ended 31st March 1996, which was 4.1 per cent. below the previous year.

OTHER INCOME

Other income from continuing activities amounted to £19.2 million in the year ended 31st March 1996 compared with £7.6 million in the preceding year. Other income includes dividend income and realised gains earned on the group's own account investments. The increase this year arose principally as a result of gains on the sale of certain unlisted investments to which the group had committed funds alongside its clients.

ASSOCIATED UNDERTAKINGS

Amounts reported under this heading relate to the group's share of profit before taxation earned from investments in NBK Investment Management and Munich London Investment Management for the year ended 31st March 1996. The group's share of profit before taxation

FINANCIAL REVIEW continued

earned from Mercury Asset Management in Australia (formerly Potter Warburg Asset Management) is shown under associated undertakings for the six months ended 30th September 1995, following which date the group acquired effective control and the company was consolidated as a wholly-owned subsidiary.

NET INTEREST RECEIVABLE

Interest income is earned on the group's own account fixed interest investments and cash balances as well as from the banking activities of Mercury Bank AG in Switzerland. Set against this income is interest payable on loan notes issued by the group and on customer and bank deposits with Mercury Bank AG. The increase in net interest receivable arose as a result of higher average cash balances held during the year.

TAXATION

Taxation on the group's profit increased from £33.0 million to £43.6 million. The charge represents an effective tax rate of 31.0 per cent. (1995 29.6 per cent.) and is below the standard UK corporation tax rate of 33 per cent., principally as a result of the lower levels of taxation applicable to the profits of certain of the group's operating subsidiaries overseas. An analysis of the tax charge is provided in note 6 on the accounts.

DIVIDENDS

The directors have recommended a final dividend of 29.0p per share, bringing total ordinary dividends for the year to 35.0p, an increase of 34.6 per cent. on the previous year. The group's policy on dividends is to provide real growth over the medium to long term whilst ensuring that adequate capital is retained to support future business growth.

In addition to the ordinary dividends, a special dividend of 40.0p per share was paid on 23rd August 1995 to the minority shareholders on the register on 18th July 1995.

CAPITAL AND CASH FLOW

The group continued to generate strong cash flow in the year under review. Operating cash flow and cash flow from investment income earned on the group's own account investments after payment of taxation amounted to £115.3 million during the year. The inflow was used to pay dividends of £66.6 million, to purchase the outstanding 50 per cent. interest in

Mercury Asset Management Limited which the group did not own for £11.9 million, to purchase the entire issued ordinary share capital of Mercury Group Insurance Ltd. (formerly S.G.Warburg Group Insurance Ltd.) for £1.2 million and to complete the refurbishment of the premises at 33 King William Street. The net cash inflow of £30.6 million was added to the group's cash and investment assets.

The net capital resources of the group are invested mainly in cash and fixed interest securities in order to maintain liquidity for developing the business and to meet the regulatory capital requirements of the Investment Management Regulatory Organisation (IMRO) and other authorities in the UK and overseas which regulate the main operating companies of the group.

Equity shareholders' funds at 31st March 1996 amounted to £237.3 million which included £178.0 million of distributable reserves.

ACQUISITIONS

With effect from 1st October 1995 the group acquired the outstanding 50 per cent. interest in Potter Warburg Asset Management Limited (now Mercury Asset Management Limited) which it did not previously own. The acquisition price was £11.9 million and goodwill arising on the transaction of £9.5 million was written off to reserves. Mercury Asset Management Limited manages £1.5 billion of institutional and retail funds in Australia and generated profit before taxation of £3.0 million in the year ended 31st March 1996.

On 5th March 1996, the group acquired the entire issued ordinary share capital of Mercury Group Insurance Ltd. for £1.2 million. No goodwill arose on the transaction. Mercury Group Insurance Ltd. provides insurance cover to the group in respect of certain risks.

RISK MANAGEMENT

The system of internal financial control which is in operation within the group is described on pages 23 and 24. The group has not hedged its exposure to exchange risks arising from investments in, or dividends receivable from, overseas subsidiaries. Exchange gains or losses arising on the translation of the balance sheets of overseas subsidiaries are shown as movements on reserves.

DIRECTORS

MERCURY ASSET MANAGEMENT GROUP plc

H A Stevenson *Chairman*

Hugh Stevenson has been a director of the Company since 1986 and was appointed Chairman in 1992. He joined S.G. Warburg & Co. Ltd. in 1970, becoming a director in 1975. Aged 53.

D W J Price *Deputy Chairman*

David Price joined the group in 1969. He was appointed a director of the Company in 1978 and a Deputy Chairman in 1987. He is responsible for business development and operations. He is also a director of Mercury European Privatisation Trust plc. Aged 48.

S A Zimmerman *Deputy Chairman*

Stephen Zimmerman joined the group in 1971. He was appointed a director of the Company in 1979 and a Deputy Chairman in 1990. He is Chairman of the group's Investment Committee. Aged 47.

C Galley *Vice Chairman*

Carol Galley joined the group in 1971. She was appointed a director of the Company in 1982 and a Vice Chairman in 1995. She is responsible for the UK Institutional division. Aged 47.

P G Bosonnet CBE*†

Paul Bosonnet was appointed a director of the Company in 1991. He recently retired as Deputy Chairman of British Telecommunications plc. He is also a director of Lucas Industries plc. Aged 63.

D J Causer

David Causer joined the group in 1988 and was appointed a director of the Company in 1995. He is the group's finance director. Aged 46.

A S Dalton

Andrew Dalton joined the group in 1972 and was appointed a director of the Company in 1983. He is responsible for international business development. Aged 47.

H J Foulds*†

Jon Foulds was appointed a director of the Company in 1989. He is Chairman of the Halifax Building Society and a director of Pan-Holding S.A. Aged 64.

C N Hurst-Brown

Nigel Hurst-Brown joined the group and was appointed a director of the Company in 1990. He is responsible for the group's international business. Aged 44.

C V Jackson

Charles Jackson joined the group in 1985 and was appointed a director of the Company in 1993. He is responsible for the group's Fixed Interest division. Aged 42.

F D S Rosier

David Rosier joined the group in 1978 and was appointed a director of the Company in 1982. He is responsible for the Private Investors division. Aged 45.

Sir Alfred Shepperd*†

Sir Alfred Shepperd was appointed a director of the Company in 1987 and will retire from the Board at the close of this year's Annual General Meeting. He is a former Chairman and Chief Executive of Wellcome plc and is Chairman of Anglia Maltings (Holdings) Ltd. Aged 70.

J C G Stancliffe*

John Stancliffe was appointed a director of the Company in 1996. He is a former director of S.G. Warburg Group plc and has been Chairman of Mercury Keystone Investment Trust plc since 1979. He is a non-executive director of David S. Smith (Holdings) plc. Aged 64.

P Stormonth Darling*†

Peter Stormonth Darling has been a director of the Company since 1969 and was Chairman from 1979 until 1992. He is Chairman of Mercury European Privatisation Trust plc, Deputy Chairman of Scottish Equitable plc, a director of Scottish Hydro Electric plc and of a number of investment trusts, and is a member of the United Nations Pension Fund Investments Committee. Aged 63.

P W Urquhart

Peter Urquhart joined the group in 1981 and was appointed a director of the Company in 1993. He will retire at the forthcoming Annual General Meeting and will not be seeking reappointment. Aged 51.

Secretary and Registered Office

C B Farquharson

33 King William Street
London EC4R 9AS

* non-executive

† member of the Audit and Senior Appointments and Remuneration Committees

DIRECTORS' REPORT

The directors submit the annual report and financial statements of the Company and its subsidiaries for the year ended 31st March 1996.

ACTIVITIES

The Company is the holding company, listed on the London Stock Exchange, of a group engaged in the provision of investment management and advisory services.

A review of the group's activities and operations during the year and of events which have occurred since the year end, together with an indication of future developments, is given in the Chairman's Statement on pages 6 to 11.

RESULTS AND DIVIDENDS

The results of the group are set out in the consolidated profit and loss account on page 36. The group profit for the year, after taxation and minority interests, was £96.7 million.

An interim dividend of 6.0p per share was paid on 18th December 1995 to shareholders on the register on 21st November 1995. The directors recommend the payment on 3rd July 1996 to shareholders on the register at the close of business on 11th June 1996 of a final dividend of 29.0p per share, bringing total ordinary dividends for the year to 35.0p, compared with 26.0p per share for the previous year. In addition, the former minority shareholders of the Company who were on the register on 18th July 1995 received a special dividend of 40.0p per share on 23rd August 1995.

The cost of the dividends paid and proposed for the year ended 31st March 1996 amounts to £81.0 million, leaving a retained profit for the year of £15.7 million to be added to the group's reserves.

DIRECTORS

The names of the directors of the Company are set out on pages 16 and 17. In accordance with the Articles of Association, Mr C V Jackson, Mr H A Stevenson and Mr P Stormonth Darling retire by rotation and, being eligible, offer themselves for reappointment.

Mr P W Urquhart, who also retires by rotation, will not be seeking reappointment and will retire from the Board at the end of the meeting. Sir Alfred Shepperd will retire as a non-executive director of the Company at the same time.

Mr J C G Stancliffe, having been appointed a director since the last Annual General Meeting, offers himself for reappointment in accordance with Article 80 of the Articles of Association.

No director has a contract or an interest in any contract (other than a contract of service which is determinable within one year) with the Company or any of its subsidiaries.

The interests of the directors in shares in the Company and details of directors' remuneration are set out in the Report of the Senior Appointments and Remuneration Committee on pages 25 to 34.

SUBSTANTIAL INTERESTS

At 31st March 1996, the Munich Reinsurance Company had a beneficial interest in 8,614,786 shares in the Company, representing 4.72 per cent. of the issued share capital. So far as the directors are aware, no other person has a notifiable interest in the share capital of the Company.

No changes in substantial interests had been notified to the directors up to 22nd May 1996.

CHANGE OF OWNERSHIP

Following approval at an Extraordinary General Meeting of the Company held on 3rd July 1995, the Company separated from S.G. Warburg Group plc ("SGW"). The reorganisation was completed by means of a Scheme of Arrangement and certain related transactions. New shares in the Company were issued to the former holders of ordinary and deferred shares in SGW and the 75 per cent. shareholding in the Company owned by SGW was converted into deferred shares, purchased by the Company and cancelled. Further details are given in note 2 on the accounts on page 42.

DIRECTORS' REPORT continued

GROUP CHANGES

Significant changes in the group structure are detailed below. A full list of subsidiary and associated companies will be attached to the Company's annual return and filed with the Registrar of Companies.

In November 1995, the group acquired the 50 per cent. interest in Potter Warburg Asset Management Limited which it did not already own for a consideration of £11.9 million. The company, which has been renamed Mercury Asset Management Limited, manages institutional and retail funds for a broad range of Australian clients.

On 5th March 1996, the group acquired the entire issued ordinary share capital of S.G.Warburg Group Insurance Ltd. (now Mercury Group Insurance Ltd.) for a consideration of £1.2 million. The company, which is based in the Isle of Man, was the captive insurance company within the S.G.Warburg Group and will provide increased insurance capacity for the group.

As part of a reorganisation of subsidiaries within the group, on 27th March 1996 the Company acquired from Mercury Asset Management plc the entire issued share capital of four subsidiary companies, for a consideration of £64.0 million.

EMPLOYMENT POLICIES

The Company achieved accreditation as an Investor in People in 1995. It is the policy of the group to provide employees with information on matters of concern to them as employees and to consult with them on a regular basis. Subject to the constraints of confidentiality of clients' affairs, employees are kept informed of developments within the group through newsletters and by the distribution of announcements released to the press. Information provided to shareholders is also made readily available to staff. Measures are taken to foster a common awareness on the part of all employees of the financial and economic factors affecting the performance of the group.

The involvement of employees in the group's performance is encouraged through participation in profit related pay and profit sharing schemes. In addition, certain senior employees, including directors, have been granted options under the group's approved executive share option scheme and participate in deferred compensation schemes.

It is the policy of the group to give full and fair consideration to applications for employment from disabled people having regard to their particular aptitudes and abilities. Should employees become disabled, every effort is made to retain them in their employment or to consider them for other positions. For the purposes of training, career development and promotion, disabled employees are treated in the same way as other employees.

POLICY ON PAYMENT OF SUPPLIERS

It is the general policy of the Company and its subsidiaries to pay for the supply of goods and services within 30 days of the date of any invoice. In addition, for certain suppliers, the arrangements for payment are settled when agreeing the terms of each transaction.

CHARITABLE CONTRIBUTIONS

The total sum donated during the year by the Company and its subsidiaries to charitable organisations in the UK was £275,000. The group also matches contributions made by all UK employees under a Give As You Earn scheme and donations made by employees to certain specified charities.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is to be held at 12 noon on Wednesday, 26th June 1996 at Painters' Hall, 9 Little Trinity Lane, London EC4V 2AD. Full details of the resolutions to be proposed at the Annual General Meeting are given in the Notice of Meeting and Explanatory Notes on pages 56 to 58.

The directors believe that all the resolutions are in the best interests of the Company and its shareholders as a whole and accordingly recommend shareholders to vote in favour of the resolutions. The directors intend to vote in favour of these resolutions in respect of their own beneficial shareholdings amounting to 2,449,497 shares, being 1.3 per cent. of the issued share capital.

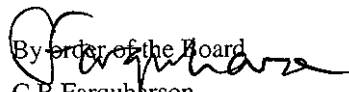
DIRECTORS' REPORT continued

CORPORATE GOVERNANCE

A summary of the Company's compliance with The Code of Best Practice established by the Cadbury Committee is set out on pages 23 and 24. The Company's auditors have confirmed to the Board that, based on their review of the paragraphs relevant to that review, in their opinion, such summary reflects the Company's compliance with the Code. The Company's auditors have also confirmed that, in their opinion, the directors have complied with the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and that the directors' statements on these matters are consistent with the information of which they are aware from their audit work. The auditors were not required to perform additional work necessary to express an opinion, and did not express any opinion, on the effectiveness of the Company's system of internal financial control, its corporate governance procedures or the ability of the Company and the group to continue in operational existence.

AUDITORS

A resolution proposing the reappointment of Ernst & Young as auditors will be submitted to the Annual General Meeting.


By order of the Board
C B Farquharson
Secretary

33 King William Street
London EC4R 9AS
22nd May 1996

CORPORATE GOVERNANCE

The Board, which currently comprises ten executive directors and five non-executive directors (including the former Chairman of the Company), is responsible to shareholders for the proper management of the group.

Throughout the year ended 31st March 1996, the Company complied with The Code of Best Practice incorporated in the report of the Cadbury Committee.

The Audit Committee of the Board is chaired by Sir Alfred Shepperd. The other members of the Committee are Mr Bosonnet, Mr Foulds and Mr Stormonth Darling. The Committee meets not less than four times a year to review the scope and findings of the internal and external auditors' work, the interim and annual reports prior to their publication, the application of the group's accounting policies and any changes to financial reporting requirements. The Audit Committee also plays an important part in reviewing the group's system of internal financial control which is described below.

The Senior Appointments and Remuneration Committee is chaired by Paul Bosonnet. The other members of the Committee are Mr Foulds, Mr Stormonth Darling and Sir Alfred Shepperd. The Committee reviews matters of remuneration policy for senior executives and considers nominations to the boards of the Company and its principal operating subsidiaries. The report of the Senior Appointments and Remuneration Committee is set out on pages 25 to 34.

The Board is responsible for the group's system of internal financial control, which has been designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has reviewed the effectiveness of the system of internal financial control which was in operation within the group throughout the year ended 31st March 1996.

The Board meets at least six times a year and has adopted a schedule of matters reserved for its decision. Such matters include approval of the annual and interim reports sent to shareholders, consideration of major capital projects, significant acquisitions and disposals, changes in the management and commercial strategy of the group and approval of the annual budget and business plan. Within the group, a comprehensive budgeting and accounting system provides management information on a regular basis to assess actual performance against the budget approved by the Board.

The controls over key risk areas such as credit and control procedures, investment performance, business development and treasury operations are reviewed by management

committees which report to the Board on a regular basis. In addition, the Audit Committee receives reports from both the internal and external auditors on their reviews of financial controls and operating procedures.

Business units report to the internal audit department quarterly on the operation of control procedures. The internal auditors monitor these returns and reassess business risks on a regular basis, reporting to the Audit Committee on the effectiveness of current control procedures and highlighting any areas of concern.

The business of the group and the activities of its employees are also subject to the regulations and controls of external authorities both in the UK and overseas and the group has an established compliance function which monitors adherence to legal and regulatory requirements and internal procedures.

Mercury believes that people are its most important asset and attaches great importance to the recruitment and continued development of all employees. The group has developed a comprehensive framework for recruiting and training staff which achieved the Investors in People standard in 1995.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the directors to ensure that financial statements are prepared which give a true and fair view of the state of affairs of the Company and of the group as at the end of each financial year and of the profit for the financial year. The directors consider that, in preparing the financial statements on pages 36 to 55, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to detect and prevent fraud and other irregularities. The directors, after making enquiries, have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing these financial statements.

REPORT OF THE SENIOR APPOINTMENTS AND REMUNERATION COMMITTEE

1 THE SENIOR APPOINTMENTS AND REMUNERATION COMMITTEE

The Senior Appointments and Remuneration Committee ("the Committee") determines, on behalf of the Board and on behalf of shareholders, the Company's policy on executive remuneration and the remuneration packages for each of the executive directors. The Committee consists of Mr Bosonnet (Chairman), Mr Foulds, Mr Stormonth Darling and Sir Alfred Shepperd. The members of the Committee have no personal financial interest, other than as shareholders, in the matters to be decided, no potential conflicts of interest arising from cross-directorships, and no day-to-day involvement in running the business. The Committee consults the Chairman of the Company about its proposals, other than in relation to the Chairman's own remuneration, and has access to professional advice from both inside and outside the Company.

The Committee considers that, throughout the year ended 31st March 1996, the Company complied with the principles of Section A of the best practice provisions derived from The Report of the Study Group on Directors' Remuneration chaired by Sir Richard Greenbury and annexed to the London Stock Exchange Listing Rules. In framing its remuneration policy, the Committee has given full consideration to Section B of those provisions.

2 REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

- (a) *General* The creation of long term value for shareholders depends on the talents, contribution and commitment of those who work in the business. The Company's success has been due to the fact that it has been able to attract and retain people of the highest quality. The Company competes internationally and it is essential that the remuneration structure should be competitive with those of comparable companies both inside and outside the United Kingdom. Companies with which comparisons are made comprise fund management and investment banking organisations which are in competition with the group. The Company's remuneration policy seeks to minimise the fixed cost element of executive remuneration, whilst providing the opportunity for significant variable remuneration in the form of bonuses and deferred equity schemes.
- (b) *Contracts of Employment* In common with the policy for all senior employees of the group, each of the executive directors has a contract of employment which is terminable within six months. The contracts do not provide for the payment of compensation other than as determined by statute.

REPORT OF THE SENIOR APPOINTMENTS AND REMUNERATION COMMITTEE continued

2 REMUNERATION POLICY FOR EXECUTIVE DIRECTORS continued

- (c) *Salary and Bonus* Salaries are set at a level such as to comprise a relatively small proportion of total compensation in order to restrict the fixed cost base of the business. With two exceptions, there have been no increases in the level of salaries payable to executive directors since 1st April 1993.

Over 570 employees, including executive directors of the Company, are eligible to receive discretionary non-pensionable bonuses. The Committee evaluates the contribution of each executive director by reference to individual management and professional performance, the overall profitability of the group and to competitive market conditions. Part of the bonus, to which an executive director would otherwise have been entitled, may be deferred or waived. In the case of a waiver, the Company may subsequently agree to augment the director's pension by an equivalent amount.

In addition, all employees participate in the profitability of the group through approved profit sharing and profit related pay schemes. Amounts paid under these schemes are dependent on the performance of the group and are subject to the statutory limits applicable to such schemes from time to time.

- (d) *Deferred Equity* A fundamental element in the remuneration structure has been the creation of a deferred equity interest in the Company which may subsequently be payable in cash. Over 230 executives, including executive directors, participate in these arrangements. Any payment is normally conditional on the continued employment of the participant for at least five years and the amount receivable is dependent on the future level of the Company's share price, so as to align more closely the interests of directors and executives with those of shareholders.

The liability for such payments is substantially offset by investments held by the Mercury Asset Management Group Employee Trust, including holdings of the Company's shares purchased in the market.

Executive directors are also eligible to participate, along with over 230 other senior employees, in the approved executive share option scheme.

(e) *Pensions* All the executive directors and other eligible employees participate in the non-contributory Mercury Asset Management Group plc Pension and Life Assurance Scheme ("the Scheme"). This is a 1/50th final salary scheme accruing over a maximum of 33 years. For the purposes of the Scheme, salary does not include discretionary bonuses or payments under deferred equity arrangements. Additionally, a number of senior employees, including Mr Hurst-Brown, have unfunded, unapproved pension arrangements providing identical pension benefits in respect of salary in excess of the earnings cap (currently £82,200 per annum).

On 30th April 1996, the Institute of Actuaries and the Faculty of Actuaries recommended to the Department of Trade and Industry and the London Stock Exchange that pension entitlements earned by each director during the year should be disclosed using methods based on accrued benefits and transfer values. Although the recommendations have not been incorporated in the London Stock Exchange Listing Rules at 22nd May 1996, the latest practicable date for inclusion in this Report, the Company has complied with the recommendations and the value of pension entitlements based on these methods is disclosed on page 29.

Under the accrued benefit method, the amounts disclosed represent the change in the annual pension to which each director is entitled as a result of changes in pensionable earnings and increases in pensionable service during the year. For this purpose, changes in pensionable earnings to compensate for general price inflation are excluded. Under the transfer value method, the amounts disclosed represent the present capital values of the changes in directors' pension entitlements disclosed under the accrued benefits method.

(f) *External Appointments* Because of the nature of the group's business, the executive directors are not permitted to hold positions as non-executive directors of listed companies unconnected with the group. All fees paid to executive directors in respect of other directorships held with the permission of the group are surrendered to the group.

3 REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The remuneration of non-executive directors is determined by the Board in accordance with the Articles of Association by reference to the time commitment expected from the non-executive directors and to published information regarding the level of such remuneration in comparable companies.

REPORT OF THE SENIOR APPOINTMENTS AND REMUNERATION COMMITTEE continued

4 DIRECTORS' REMUNERATION

The remuneration before taxation received by the directors is set out below:

	1996 Salary and fees £000	1996 Consultancy fees Note 1 £000	1996 Taxable benefits Note 2 £000	1996 Annual bonus Note 3 £000	1996 Total £000	1995 Total £000
Executive						
H A Stevenson	225	—	11	450	686	487
D W J Price	200	—	8	150	358	411
S A Zimmerman	225	—	10	700	935	634
C Galley	210	—	7	500	717	330
D J Causer*	82	—	13	135	230	—
A S Dalton	125	—	14	275	414	339
C N Hurst-Brown	150	—	9	350	509	431
C V Jackson	120	—	18	300	438	382
F D S Rosier	150	—	14	350	514	210
P W Urquhart	130	—	13	120	263	295
	1,617	—	117	3,330	5,064	3,519
Non-Executive						
P G Bosonnet	15	—	—	—	15	15
H J Foulds	15	10	—	—	25	25
L Levy†	—	—	—	—	—	12
Sir Alfred Shepperd	15	15	—	—	30	30
J C G Stancliffe*	—	—	—	—	—	—
P Stormonth Darling	15	38	—	—	53	53
	60	63	—	—	123	135
	1,677	63	117	3,330	5,187	3,654

*from date of appointment

†until date of resignation

	1996 Realisation of Deferred Equity £000	1995 Realisation of Deferred Equity £000	1996 Pensions (Accrued Benefit) £000	1996 Pensions (Transfer Value) £000	1995 Pensions (Accrued Benefit) £000	1995 Pensions (Transfer Value) £000
Executive						
H A Stevenson (<i>Note 4</i>)	—	—	—	—	2	22
D W J Price	536	—	—	—	2	16
S A Zimmerman	536	—	—	3	2	18
C Galley	—	—	5	47	14	118
D J Causer (<i>Note 4</i>)	174	—	1	11	—	—
A S Dalton (<i>Note 4</i>)	266	522	—	3	1	11
C N Hurst-Brown	—	—	2	19	3	20
C V Jackson	722	—	2	12	2	15
F D S Rosier	536	—	1	5	2	17
P W Urquhart	—	287	2	17	2	24
	2,770	809	13	117	30	261

Note 1: Consultancy fees have been paid during the year to Mr Foulds, Sir Alfred Shepperd and Mr Stormonth Darling in respect of particular services provided to operating divisions of the group, which fall outside the scope of their activities as non-executive directors.

Note 2: Taxable benefits include such items as car allowance, life assurance, medical cover, mortgage subsidy, permanent health insurance and personal accident insurance.

Note 3: In addition to the amounts shown on page 28 in respect of annual bonuses, the following amounts have been attributed to executive directors by way of a bonus, although the entitlement to receive such sum has been deferred and is dependent upon the executive director remaining in continued employment with the group: Mr Stevenson: £200,000 (1995 £300,000); Mr Zimmerman: £400,000 (1995 £400,000); Miss Galley: £400,000 (1995 £577,000).

Note 4: In addition to the amounts shown above in respect of pensions:

(i) Mr Stevenson and Mr Causer elected to relinquish certain bonuses during the year, amounting to £150,000 (1995 £100,000) and £25,000 respectively and the Company subsequently agreed to augment their pensions by an equivalent amount.

(ii) Mr Causer and Mr Dalton elected to relinquish certain amounts realisable on disposals of deferred equity, as described on page 33, amounting to £124,000 and £527,000 (1995 £287,000) respectively and the Company subsequently agreed to augment their pensions by an equivalent amount.

REPORT OF THE SENIOR APPOINTMENTS AND REMUNERATION COMMITTEE continued

5 DIRECTORS' INTERESTS IN SHARES

The market price of shares in the Company at 31st March 1996 was 880p (1995 753p). The market price of shares during the year ended 31st March 1996 ranged from 749p to 963p.

Beneficial and non-beneficial interests in shares

The interests of the directors in shares in the Company at the beginning and end of the year are set out below:

	Mercury Asset Management Group plc Ordinary Shares of 5p each	
	31st March 1996	1st April 1995
Beneficial interests in shares		
H A Stevenson	172,455	135,878
D W J Price	502,038	496,440
S A Zimmerman	416,488	410,890
C Galley	144,427	138,278
D J Causer	2,511	1,540*
A S Dalton	426,603	455,017
H J Foulds	3,239	2,887
C N Hurst-Brown	8,866	7,995
C V Jackson	163,089	160,498
F D S Rosier	123,119	120,400
Sir Alfred Shepperd	1,874	1,874
J C G Stancliffe	43,636	43,636*
P Stormonth Darling	385,787	147,592
P W Urquhart	55,365	54,610
Non-beneficial interests in shares		
H A Stevenson	563,620	232,197
D W J Price	8,094	6,000
P Stormonth Darling	50,000	—

*at date of appointment

All the executive directors are interested as employees and potential beneficiaries under the terms of the Mercury Asset Management Group Employee Trust in shares in the Company held by that Trust. At 31st March 1996 the Employee Trust held 3,355,924 shares in the Company (1995 7,124,948). During the year Mr Bosonnet held no notifiable interests in shares in the Company.

Approved executive share option scheme

The approved executive share option scheme was established on 16th February 1987.

Options granted under this scheme are exercisable as to one half after three years from the date of grant. The balance is exercisable after five years only if the growth in earnings per share of the Company over the five year period has been at least equivalent to that of the upper quartile of companies within the FT-SE 100 index.

The interests of the directors in options to subscribe for shares in the Company under the approved executive share option scheme at the beginning and end of the year are set out below:

	1st April 1995	Granted during year	Exercised during year	31st March 1996	Exercise price	Exercise period
H A Stevenson	250,000	—	—	250,000	320p	1995-2002
D J Causer	10,000*	—	—	10,000	562p	1997-2004
	—	12,000	—	12,000	863p	1998-2005
P Stormonth Darling	499,000	—	(499,000)	—	90p	

*at date of appointment

On 27th November 1995 Mr Causer was granted 12,000 options to subscribe for shares in the Company at an exercise price of 863p. The market price of shares on the date of grant was 863p.

On 24th August 1995 Mr Stormonth Darling exercised 499,000 options to subscribe for shares in the Company. The options were granted on 4th March 1987 (when Mr Stormonth Darling was Chairman of the Company) at an exercise price of 90p. The market price of shares on the date of exercise was 891p.

On 22nd August 1995 Mr Stevenson and Mr Causer, together with other participants in the approved executive share option scheme, received additional shares in the Company in lieu of the special dividend of 40.0p per share. Mr Stevenson and Mr Causer received 11,199 shares and 448 shares, respectively. This was to reflect the fact that no adjustment was made to the exercise price of options to take account of the special dividend.

REPORT OF THE SENIOR APPOINTMENTS AND REMUNERATION COMMITTEE *continued*

6 DIRECTORS' INTERESTS IN DEFERRED EQUITY

From 1989 to 1994, the executive directors, along with other senior employees, participated in a deferred stock appreciation rights scheme. Since 1994 they have participated, along with other senior employees, in a deferred phantom share scheme.

(a) *Deferred stock appreciation rights scheme* A deferred rights scheme was established in 1989 which entitles participants to benefit from upward movements in the market price of the Company's shares over an extended period. Deferred rights granted under this scheme normally vest at any time between five years and twenty years from the date of grant, subject to continued employment with the group.

Exceptionally, the rules of the scheme were changed on 17th March 1994 and 24th July 1995 in respect of certain grants of deferred rights. On 17th March 1994, certain grants were varied such that the amounts receivable would no longer be dependent on the Company's share price but on a market return as applied to an initial value of 700p each at the date of variation ("700p rights"). On 24th July 1995, following the Scheme of Arrangement, certain grants were similarly varied by reference to an initial value of 900p each ("900p rights"). In consideration for these variations, the vesting period for a proportion of the varied rights was accelerated.

The interests of the executive directors in deferred rights at the beginning and end of the year are set out below:

	1st April 1995			31st March 1996			Weighted average base price	Vesting period
	700p basis	Market price basis	Disposed during year	700p basis	900p basis	Market price basis		
H A Stevenson	–	210,000	–	–	105,000	105,000	350p	1995-2015
D W J Price	362,500	227,500	(75,000)	362,500	76,250	76,250	227p	1994-2015
S A Zimmerman	362,500	227,500	(75,000)	362,500	76,250	76,250	227p	1994-2015
C Galley	300,000	190,000	–	300,000	57,500	132,500	217p	1994-2015
D J Causer	37,500*	60,500*	(46,375)	25,000	8,875	17,750	284p	1994-2015
A S Dalton	200,000	77,500	(119,375)	100,000	19,375	38,750	237p	1994-2015
C N Hurst-Brown	300,000	87,500	–	300,000	43,750	43,750	213p	1994-2015
C V Jackson	25,000	132,500	(87,292)	8,333	20,625	41,250	339p	1994-2015
F D S Rosier	300,000	177,500	(75,000)	300,000	51,250	51,250	221p	1994-2015
P W Urquhart	125,000	82,500	–	125,000	41,250	41,250	247p	1994-2015

*at date of appointment

On 19th September 1995 Mr Price, Mr Zimmerman and Mr Rosier each disposed of 75,000 deferred rights. The deferred rights were granted on 16th June 1989 at a base price of 186p and the market price of shares in the Company on the date of disposal was 901p.

On 29th June 1995 Mr Dalton waived 100,000 700p rights, having a weighted average base price of 171p. Subsequently, the Company agreed to augment Mr Dalton's pension. On 1st September 1995 Mr Dalton disposed of 19,375 900p rights, having a weighted average base price of 351p.

On 5th September 1995 Mr Jackson disposed of 25,000 deferred rights. The base price of the deferred rights was 186p and the market price of shares in the Company on the date of disposal was 899p. On 10th November 1995 Mr Jackson disposed of 16,667 700p rights, 20,625 900p rights and 25,000 deferred rights. The weighted average base price of the deferred rights was 240p and the market price of shares in the Company on the date of disposal was 882p.

On 10th January 1996 Mr Causer disposed of 25,000 deferred rights. The base price of the deferred rights was 186p and the market price of shares in the Company on the date of disposal was 882p. On 25th March 1996 Mr Causer waived 8,875 900p rights and 12,500 700p rights, having a weighted average base price of 262p. Subsequently, the Company agreed to augment Mr Causer's pension.

The above transactions are reflected in the table of directors' remuneration and related notes on page 29.

(b) *Deferred phantom share scheme* A deferred phantom share scheme was established in 1994. Grants under the scheme are in the form of deferred rights to receive a bonus of an amount equivalent to the value of a specified number of shares in the Company. The deferred rights may vest at any time between five years and twenty years from the date of grant, subject to continued employment with the group.

Exceptionally, the rules of the scheme were varied on 24th July 1995 in respect of certain grants of deferred rights such that up to fifty per cent. of the amounts receivable would no longer be dependent on the Company's share price but on a market return as applied to an initial value of 900p each at the date of variation. In consideration for this variation, the vesting period for a proportion of such deferred rights was accelerated.

REPORT OF THE SENIOR APPOINTMENTS AND REMUNERATION COMMITTEE continued

6 DIRECTORS' INTERESTS IN DEFERRED EQUITY continued

The interests of the directors in deferred phantom shares at the beginning and end of the year are set out below:

	1st April 1995	Granted during year	Disposed during year	31st March 1996		Vesting period
	Market price basis			900p basis	Market price basis	
H A Stevenson	300,000	150,000	–	150,000	300,000	1995-2015
D W J Price	150,000	–	–	75,000	75,000	1995-2015
S A Zimmerman	500,000	225,000	–	250,000	475,000	1995-2015
C Galley	400,000	225,000	–	200,000	425,000	1995-2015
D J Causer	–	25,000	–	–	25,000	2000-2015
A S Dalton	70,000	25,000	(17,500)	17,500	60,000	1995-2015
C N Hurst-Brown	125,000	50,000	–	62,500	112,500	1995-2015
C V Jackson	70,000	40,000	(17,500)	17,500	75,000	1995-2015
F D S Rosier	175,000	75,000	–	87,500	162,500	1995-2015
P W Urquhart	70,000	–	–	35,000	35,000	1995-2015

On 27th November 1995 grants of deferred phantom shares were made to directors as shown above. The market price of shares in the Company on the date of grant was 863p. The deferred phantom shares granted in the year may vest between 27th November 2000 and 27th November 2015, subject to continued employment with the group.

On 1st September 1995 Mr Dalton disposed of 17,500 900p deferred phantom shares.

On 10th November 1995 Mr Jackson disposed of 17,500 900p deferred phantom shares.

P G Bosonnet
*Chairman, Senior Appointments and
Remuneration Committee*

REPORT OF THE AUDITORS

To the members of Mercury Asset Management Group plc

We have audited the financial statements on pages 36 to 55 which have been prepared under the historical cost convention as modified by the revaluation of life assurance assets and on the basis of the accounting policies set out on pages 41 and 42. We have also examined the amounts disclosed relating to the emoluments, share options and interests in deferred equity schemes of the directors which form part of the report to shareholders by the Senior Appointments and Remuneration Committee on pages 25 to 34.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 24, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

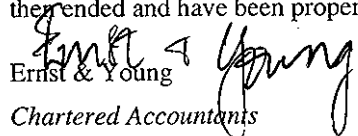
BASIS OF OPINION

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 and of the group at 31st March 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young

Chartered Accountants

Registered Auditor

London

22nd May 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March	Note	Exceptional items £000	Continuing activities £000	Total 1996 £000	1995 £000
TURNOVER	3		286,349	286,349	255,018
Operating costs		(35,000)	(183,797)	(218,797)	(166,199)
Operating profit		(35,000)	102,552	67,552	88,819
Other income		35,000	19,245	54,245	7,601
Share of profits of associated undertakings		–	1,804	1,804	2,904
Net interest receivable	4	–	16,856	16,856	12,202
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	–	140,457	140,457	111,526
Taxation	6	–	–	(43,576)	(32,989)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				96,881	78,537
Minority interests				(218)	(193)
Profit attributable to members of the Company	7			96,663	78,344
DIVIDEND					
Ordinary	8			(62,728)	(45,449)
Special	8			(18,226)	–
RETAINED PROFIT FOR THE YEAR				15,709	32,895
EARNINGS PER SHARE	9			53.0p	43.1p

Movements in reserves are set out in note 21.

CONSOLIDATED BALANCE SHEET

At 31st March	Note	1996 £000	1995 £000
FIXED ASSETS			
Tangible assets	10	21,638	15,967
Investments	11	24,390	26,676
		46,028	42,643
CURRENT ASSETS			
Life assurance assets	13	667,340	336,042
Debtors	14	134,781	125,732
Investments	15	242,147	167,772
Loans and advances		71,662	76,437
Cash and short term deposits	16	189,940	140,380
		1,305,870	846,363
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts due to policyholders	13	(667,340)	(336,042)
Deposits by banks		(55,629)	(62,848)
Customer accounts		(55,505)	(45,234)
Loan notes	17	(51,319)	(2,262)
Other creditors	18	(238,549)	(181,931)
		237,528	218,046
NET CURRENT ASSETS			
		283,556	260,689
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR			
	19	(41,870)	(24,350)
		241,686	236,339
CAPITAL AND RESERVES			
Called up share capital	20	9,127	9,096
Share premium account	21	43,122	43,478
Capital redemption reserve	21	7,029	125
Profit and loss account	21	178,042	179,124
		237,320	231,823
EQUITY SHAREHOLDERS' FUNDS			
Minority interests		4,366	4,516
		241,686	236,339

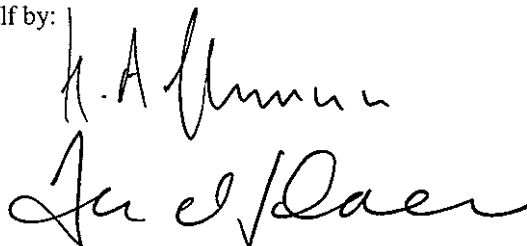
COMPANY BALANCE SHEET

At 31st March	Note	1996 £000	1995 £000
FIXED ASSETS			
Investments	11	80,441	16,430
CURRENT ASSETS			
Debtors	14	119,042	113,161
Investments	15	7,661	767
Cash and short term deposits	16	3,616	506
		130,319	114,434
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Loan notes	17	(48,998)	—
Other creditors	18	(102,001)	(77,374)
NET CURRENT (LIABILITIES)/ASSETS		(20,680)	37,060
TOTAL ASSETS LESS CURRENT LIABILITIES		59,761	53,490
CAPITAL AND RESERVES			
Called up share capital	20	9,127	9,096
Share premium account	21	43,122	43,478
Capital redemption reserve	21	7,029	125
Profit and loss account	21	483	791
EQUITY SHAREHOLDERS' FUNDS		59,761	53,490

The financial statements on pages 36 to 55 were approved by the Board on 22nd May 1996 and signed on its behalf by:

H A Stevenson

D J Causer



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March	Note	1996 £000	1995 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES AND EXCEPTIONAL ITEMS	22	131,189	112,122
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		23,549	18,634
Interest paid		(7,410)	(6,518)
Dividends received from associated undertakings		750	702
Dividend income		9,035	1,568
Dividends paid		(66,573)	(39,843)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(40,649)	(25,457)
TAXATION			
UK corporation tax paid		(28,464)	(20,831)
Overseas tax paid		(12,629)	(7,994)
TOTAL TAX PAID		(41,093)	(28,825)
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(11,295)	(11,369)
Sale of tangible fixed assets		878	1,344
Purchase of subsidiary undertakings	23	(8,085)	(26,459)
Sale of subsidiary undertaking		–	1,267
Purchase of associated undertakings		–	(936)
Sale of associated undertakings		–	330
Purchase of current asset investments		(190,702)	(201,482)
Sale of current asset investments		123,384	180,608
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(85,820)	(56,697)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(36,373)	1,143
FINANCING			
Issue of ordinary share capital	24	625	303
Share issue costs	24	(950)	–
Issue of loan notes	17	48,998	–
Redemption of loan notes		(691)	–
NET CASH INFLOW FROM FINANCING		47,982	303
INCREASE IN CASH AND CASH EQUIVALENTS	25	11,609	1,446

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March	1996 £000	1995 £000
Profit for the financial year	96,663	78,344
Exchange adjustments	(428)	6,786
TOTAL RECOGNISED GAINS AND LOSSES	96,235	85,130

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

For the year ended 31st March	1996 £000	1995 £000
OPENING EQUITY SHAREHOLDERS' FUNDS	231,823	211,614
Profit for the financial year	96,663	78,344
Dividends	(80,954)	(45,449)
Share issue costs	(950)	—
Exchange adjustments	(428)	6,786
New share capital subscribed	625	303
Goodwill written off	(9,459)	(19,775)
CLOSING EQUITY SHAREHOLDERS' FUNDS	237,320	231,823

NOTES ON THE ACCOUNTS

1 ACCOUNTING POLICIES

- (a) *Accounting convention* The financial statements have been prepared under the historical cost convention except for the revaluation of life assurance assets (see (g) below) and in accordance with applicable accounting standards.
- (b) *Basis of consolidation* The consolidated financial statements are based on the financial statements of the Company and its subsidiaries for the year ended 31st March 1996. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date when control passed to the group.
- (c) *Turnover* Turnover represents fees receivable for investment management services, together with commissions received on certain securities transactions and initial charges earned on the sale of collective investment schemes. Performance fees, which are based on the investment performance achieved for certain client portfolios, are recognised only when the amounts have been determined.
- (d) *Translation of foreign currencies* Monetary assets and liabilities in foreign currencies have been translated at exchange rates ruling at the balance sheet date. The results of overseas subsidiaries and associated undertakings have been translated at average rates for the year.
- Exchange differences arising on the translation of net assets of overseas subsidiaries and associated undertakings are taken to reserves and all other differences are dealt with through the profit and loss account.
- (e) *Depreciation of tangible fixed assets* Tangible fixed assets are capitalised and are written down to their estimated residual value by equal monthly instalments over their expected useful lives, as follows:

Leasehold property and improvements	Fifteen years or term of lease if shorter
Motor vehicles	Four years
Office fixtures and furniture	Five years

- (f) *Investments* Investments in subsidiaries are carried at cost, except where provision is made for a permanent diminution in value. Investments in associated undertakings are carried at the attributable share of their net tangible assets. Money market instruments and listed investments are shown at the lower of cost and market value and unlisted investments at the lower of cost and directors' valuation.
- (g) *Life assurance assets* Marketable securities included in life assurance assets are shown at market value. The value of the assets and liabilities of long term assurance funds is determined by independent actuarial valuations.
- (h) *Pension fund contributions* Funded defined benefit pension schemes cover the majority of the group's permanent employees. Contributions made to the pension funds operated by the group are charged to the profit and loss account so as to spread the cost over the expected service life of employees, based on advice from external actuaries. The costs of discretionary pension increases and valuation differences arising from actuarial valuations of the group's pension funds are spread over the estimated average remaining service life of employees in the funds.
- (i) *Post retirement benefits other than pensions* The cost of providing post retirement benefits other than pensions is charged to the profit and loss account so as to spread the cost over the expected service life of employees, based on advice from external actuaries.
- (j) *Deferred taxation* Provision for deferred taxation is made on a full provision basis in respect of post retirement benefits. Deferred taxation balances are recognised for other timing differences to the extent that they are expected to reverse in the future without being replaced. Provision is made for additional taxation on the retained profits of overseas subsidiaries or associated undertakings to the extent that the retained profits are expected to be remitted to the UK.

NOTES ON THE ACCOUNTS continued

1 ACCOUNTING POLICIES continued

- (k) *Goodwill* Any excess of consideration over the fair value of net assets acquired or arising on the consolidation of subsidiaries or investments in associated undertakings is written off against reserves in the year of acquisition.
- (l) *Leases* Payments under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

2 SEPARATION FROM S.G. WARBURG GROUP PLC

The Company ceased to be a subsidiary of S.G. Warburg Group plc ("SGW") with effect from 26th July 1995. The separation followed the decision by SGW to sell its investment banking business to Swiss Bank Corporation and to reorganise SGW so that the holders of SGW ordinary and deferred shares effectively replaced SGW as holders of 75 per cent. of the ordinary share capital of the Company. The separation was effected by way of a Scheme of Arrangement of SGW and certain related transactions which were approved by the Company's shareholders on 3rd July 1995.

Under the Scheme of Arrangement, all SGW ordinary and deferred shares then in issue were transferred to the Company in exchange for 136,487,313 new Ordinary Shares of 5p each in the Company and a cash sum equal to the net proceeds of the sale of SGW's investment banking business after certain adjustments and deductions. In order to allow for the issue of new shares pursuant to the Scheme, the authorised share capital of the Company was increased to £19,404,300 by the creation of an additional 138,086,000 Ordinary Shares of 5p each. The costs incurred by the Company in connection with the issue of new shares, amounting to £950,000, have been charged to the share premium account.

The net assets of SGW acquired by the Company under this arrangement consisted primarily of the proceeds of the sale of the investment banking business of SGW and SGW's shareholding of 136,487,313 Ordinary Shares of 5p each in the Company. The investment in SGW was accounted for as a current asset investment, held for re-sale. Immediately following the Scheme becoming effective, SGW's holding of 136,487,313 Ordinary Shares in the Company was converted into deferred shares and purchased by the Company for £1, whereupon the shares were cancelled and the Company's authorised share capital was reduced to £12,579,934. The nominal value of the shares purchased and cancelled has been transferred to the capital redemption reserve.

The SGW ordinary and deferred shares acquired as part of the Scheme were subsequently sold to SBCI Swiss Bank Corporation Investment banking Ltd. ("SBCI") which became obliged to make the cash payments due to the former SGW ordinary and deferred shareholders under the Scheme. The Company issued £48,998,000 of loan notes to those ordinary and deferred shareholders of SGW who had elected to receive loan notes under the Scheme, in lieu of the cash to which they were otherwise entitled, and SBCI accordingly paid an equivalent amount to the Company. The loan notes are shown as creditors falling due within one year and the related assets are included in current asset investments in the group's balance sheet.

In connection with the separation it was agreed that the Company should receive a sum of £35,000,000 which, together with the costs of transition to full independence, have been reported as exceptional items in the profit and loss account. SGW also agreed that the minority shareholders of the Company should receive a special dividend equal to 40.0p (net) per Ordinary Share of 5p each. This special dividend was paid on 23rd August 1995 to the minority shareholders on the register of the Company on 18th July 1995.

3 TURNOVER AND SEGMENTAL INFORMATION

Turnover, all of which arises from continuing activities, comprises fees, commissions and other charges, including initial charges and profits on the sale of unit trusts and offshore funds.

The group has one principal activity which is the provision of investment management and advisory services; as a consequence no analysis by business type is provided.

Because many of the group's overseas clients are serviced from the UK the directors do not consider that the following analysis, which has been provided in order to comply with Statement of Standard Accounting Practice 25, gives a fair reflection of the importance of the group's international business. Turnover, profit on ordinary activities before taxation and net assets by geographical segment are analysed as follows:

	1996 £000	1995 £000
<i>Turnover by location of client</i>		
UK (including Channel Islands)	227,572	210,693
Other Europe	26,322	18,333
Rest of World	32,455	25,992
	286,349	255,018
<i>Turnover by location of operating company</i>		
UK (including Channel Islands)	254,502	232,898
Other Europe	20,349	13,456
Rest of World	11,498	8,664
	286,349	255,018
<i>Profit before taxation by location of operating company</i>		
UK (including Channel Islands)	124,778	98,160
Other Europe	10,682	9,534
Rest of World	4,997	3,832
	140,457	111,526
<i>Net assets by location of operating company</i>		
UK (including Channel Islands)	151,598	142,945
Other Europe	69,027	75,340
Rest of World	21,061	18,054
	241,686	236,339

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated after crediting:</i>		
Interest receivable – group undertakings	725	5,956
– other	23,432	12,789
Income from listed investments	2,765	668
<i>and after charging:</i>		
Auditors' remuneration	407	342
Auditors' remuneration for non-audit services in the UK	1,100	606
Depreciation	5,782	5,790
Interest payable – group undertakings	213	3,785
– other	7,088	2,758
Net payments under operating leases	8,450	8,426

NOTES ON THE ACCOUNTS continued

5 DIRECTORS AND EMPLOYEES

(a) Directors	1996 £000	1995 £000
<i>Emoluments including pension contributions:</i>		
Fees	60	72
Other emoluments excluding annual performance related payments	1,797	1,684
Annual performance related payments	3,330	1,898
Realisation of deferred equity	2,770	809
Pension contributions	826	518
	8,783	4,981

Details of the emoluments of each of the directors of the Company are set out in the Report of the Senior Appointments and Remuneration Committee on pages 25 to 34.

The emoluments of the directors, including realisations of deferred equity but before taxation and excluding pension contributions, fell within the following bands:

Above £000	Not above £000	Number of directors 1996	1995	Above £000	Not above £000	Number of directors 1996	1995
0	5	1	–	505	510	1	–
10	15	1	2	580	585 ^(a)	–	1*
25	30	2	2	630	635	–	1
50	55	1	1	680	685 ^(a)	1*	–
205	210	–	1	685	690	1	–
260	265	1	–	715	720	1	–
325	330	–	1	860	865 ^(a)	–	1*
380	385	–	1	890	895 ^(a)	1*	–
400	405 ^(a)	1*	–	1,050	1,055 ^(a)	1*	–
410	415	–	1	1,160	1,165 ^(a)	1*	–
430	435	–	1	1,470	1,475 ^(a)	1*	–
485	490	–	1				

*Including amounts realised in respect of interests in deferred equity schemes in the year ended 31st March 1996 which have accrued over the period since 1989 as follows: ⁽¹⁾£174,000; ⁽²⁾£266,000; ⁽³⁾£536,000; ⁽⁴⁾£536,000; ⁽⁵⁾£722,000; ⁽⁶⁾£536,000; and in the year ended 31st March 1995 as follows: ⁽⁷⁾£522,000; ⁽⁸⁾£287,000.

The above table includes the emoluments of the Chairman, which were £686,000 (1995 £487,000) and the emoluments of the highest paid director, which were £1,471,000 (1995 £861,000).

- (b) *Employees* The average number of employees of the group, including directors, during the year ended 31st March 1996 was 1,038 (1995 853). This includes an average of 56 employees who transferred from the S.G. Warburg Group during the year and an average of 45 employees of Mercury Asset Management Limited in Australia which was consolidated as a subsidiary for the first time this year. Employment costs include total compensation (including variable compensation) of £68,530,000 (1995 £53,008,000) together with profit sharing and profit related pay of £2,488,000 (1995 £2,370,000), social security charges of £3,026,000 (1995 £2,892,000) and other pension costs of £4,600,000 (1995 £4,209,000).

- (c) *Post retirement benefits* Total pension costs for the group were £4,600,000 (1995 £4,209,000) of which £1,978,000 (1995 £1,203,000) relates to overseas schemes.

Actuarial valuations of the main scheme are undertaken at least triennially, the most recent being at 1st October 1994. The actuarial method used was the projected unit method and the principal annual rate assumptions applied in the valuation were that the return on investment would exceed the general rate of increase in pensionable salaries by 2 per cent. and the rate of increase in pensions by 4 per cent.

The market value of the scheme's assets at that date was £52,503,000, and the valuation disclosed a level of funding of 113 per cent. The actuarial surplus has arisen principally as a result of an increase in value of the scheme's assets and consequently no further contributions will be made to the scheme before July 1996. At 31st March 1996 the provision for future contributions to the scheme was £5,023,000 (1995 £1,564,000).

The actuarial valuation of post retirement benefits other than pensions was based upon the same principal assumptions as were applied in the latest pension scheme valuation and the provision at 31st March 1996 was £4,900,000 (1995 £4,207,000). The charge to the profit and loss account for the year ended 31st March 1996 was £693,000 (1995 £692,000).

- (d) *Loans* Under the rules of a new car scheme which was introduced during the year, participants in the scheme, including executive directors, are provided with loans by an overseas subsidiary of the Company to enable them to purchase a car. The loans attract interest at a market rate.

At 31st March 1996, amounts due from directors in respect of these loans were as follows:
Mr Stevenson: £33,000; Mr Hurst-Brown: £30,000; and the maximum amounts outstanding during the year were as follows: Mr Stevenson: £34,000; Mr Hurst-Brown: £32,000.

6 TAXATION

	1996 £000	1995 £000
UK corporation tax at 33 per cent.	37,310	19,761
Overseas taxation	12,643	10,071
Taxation on associated undertakings' profits	739	959
Tax on franked investment income	786	829
Deferred taxation (note 14)	(4,130)	1,683
Adjustment relating to prior years	(3,772)	(314)
	43,576	32,989

7 PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The profit dealt with in the financial statements of the Company was £87,550,000 (1995 £45,531,000).

NOTES ON THE ACCOUNTS continued

8 DIVIDEND

	1996 Pence per share	1995 Pence per share	1996 £000	1995 £000
Interim dividend paid	6.0	4.5	10,759	7,861
Final dividend proposed	29.0	21.5	51,969	37,588
Total ordinary dividends	35.0	26.0	62,728	45,449
Special dividend paid to minority shareholders	40.0	—	18,226	—

A special dividend was paid on 23rd August 1995 to the minority shareholders on the register of the Company on 18th July 1995. S.G. Warburg Group plc waived its entitlement to this special dividend.

The trustees of the Mercury Asset Management Group Employee Trust have waived substantially all of their entitlement to the interim and proposed final dividends in respect of the year ended 31st March 1996. Consequently the cost of the interim and proposed final dividends has been reduced by £211,000 (1995 £328,000) and £970,000 (1995 £1,525,000) respectively.

9 EARNINGS PER SHARE

Earnings per share are calculated on profit on ordinary activities after taxation and minority interests of £96,663,000 (1995 £78,344,000) and on 182,309,635 shares, representing the average number of shares in issue during the year ended 31st March 1996 (1995 181,840,494).

10 FIXED ASSETS — TANGIBLE ASSETS

	Leasehold property and improvements £000	Motor vehicles £000	Office fixtures and furniture £000	Total £000
<i>Cost</i>				
At 1st April 1995	1,848	6,522	26,432	34,802
Exchange adjustment	(193)	(68)	(208)	(469)
Additions	6,402	1,891	3,002	11,295
Acquisition of subsidiaries	—	—	1,348	1,348
Disposals	—	(1,343)	(5,556)	(6,899)
At 31st March 1996	8,057	7,002	25,018	40,077
<i>Depreciation</i>				
At 1st April 1995	376	2,706	15,753	18,835
Exchange adjustment	(14)	(22)	(84)	(120)
Acquisition of subsidiaries	—	—	492	492
Charge for year	892	1,546	3,344	5,782
Disposals	—	(1,116)	(5,434)	(6,550)
At 31st March 1996	1,254	3,114	14,071	18,439
<i>Net book amounts</i>				
At 31st March 1996	6,803	3,888	10,947	21,638
At 1st April 1995	1,472	3,816	10,679	15,967

11 FIXED ASSETS – INVESTMENTS

Group

	1996 £000	1995 £000
Associated undertakings	2,945	5,088
Unlisted	3,872	3,872
Own shares	17,573	17,716
	24,390	26,676

Own shares represent the cost of a holding by Mercury Asset Management Group Employee Trust of 3,355,924 shares in the Company (1995 7,124,948). The trustees purchase shares in the market with funds provided by the group and, at the discretion of the trustees, the shares are distributed to employees. The nominal and market values of the shares held at 31st March 1996 were £168,000 (1995 £356,000) and £29,532,000 (1995 £53,651,000) respectively.

The group's investment in associated undertakings is as follows:

	£000
Share of net tangible assets at 1st April 1995	5,088
Reclassification as subsidiary (note 12)	(2,425)
Exchange adjustment	(33)
Share of profits for the year	1,065
Dividends receivable	(750)
Share of net tangible assets at 31st March 1996	2,945

Company

The investment in subsidiaries at 31st March 1996 of £80,441,000 represents the Company's 100 per cent. holding of the issued share capital of Grosvenor Ventures Limited, Mercury Asset Management plc, Mercury (Finance) Ltd., Mercury Life Assurance Company Ltd. and 33 King William Street Ltd. The Company also owns the entire issued "A" ordinary share capital of Mercury Asset Management Holdings Ltd. At 31st March 1995 the investment in subsidiaries represents the Company's holding of the entire issued share capital of Mercury Asset Management Holdings Ltd. and Mercury Asset Management plc, at a cost of £16,430,000. The Company's principal subsidiary and associated undertakings are set out in note 29 on page 55 and a full list of subsidiary and associated undertakings will be attached to the Company's annual return.

NOTES ON THE ACCOUNTS continued

12 ACQUISITIONS

The group made the following acquisitions during the year:

Mercury Asset Management Limited

With effect from 1st October 1995 the group acquired the 50 per cent. interest in Mercury Asset Management Limited which it did not previously own from Monds Pty Ltd., a company jointly owned by SBC Warburg Australia Holdings Ltd. and Potter Warburg Australia Pty Ltd. The consideration, including expenses, was £11,884,000 and was satisfied in full by cash. The group has applied acquisition accounting principles and goodwill arising on the acquisition has been written off to reserves.

The profit after taxation of Mercury Asset Management Limited for the year ended 31st March 1995 was £2,567,000 of which £1,283,500 was attributable to the minority interests at that date.

The fair value of the net assets acquired is set out below:

	Book value at 30th September 1995 £000	Fair value adjustment £000	Fair value £000
Intangible assets	4,385	(4,385)	—
Tangible fixed assets	856	—	856
Cash at bank	4,897	—	4,897
Debtors	2,183	—	2,183
Current asset investments	3	—	3
Creditors	(1,245)	—	(1,245)
Provisions	(1,844)	—	(1,844)
	9,235	(4,385)	4,850

The fair value adjustment represents intangible assets written off in accordance with the group's accounting policies. Goodwill arising on the acquisition is set out below:

	£000
Total fair value of assets	4,850
Share of assets previously owned	(2,425)
Fair value of assets acquired at 1st October 1995	2,425
Cash consideration	(11,313)
Acquisition expenses	(571)
Goodwill	(9,459)

Mercury Group Insurance Ltd.

On 5th March 1996 the group acquired the entire issued ordinary share capital of Mercury Group Insurance Ltd. (formerly S.G. Warburg Group Insurance Ltd.) for £1,200,000 from S.G. Warburg Holdings Ltd. and SBCI Swiss Bank Corporation Investment banking Ltd. At the time of the acquisition, the fair value of the net assets, which included £400,000 in respect of preference shares already owned by the group, was £1,600,000 and did not differ significantly from book value. The group has applied acquisition accounting principles and no goodwill arose on the acquisition.

13 LIFE ASSURANCE ASSETS

The assets and liabilities of Mercury Life Assurance Company Ltd., a wholly owned subsidiary of the Company engaged in the provision of pension products, are as follows:

	1996 £000	1995 £000
Investments – listed in the UK	9,549	9,378
– unit trusts	642,544	324,881
Current assets	27,713	6,732
Current liabilities	(12,466)	(4,949)
Life assurance assets	667,340	336,042
Amounts due to policyholders	667,340	336,042

Movements in the value of life assurance assets are reflected in amounts due to policyholders.

14 DEBTORS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Trade debtors	72,999	77,311	–	–
Other debtors*	53,340	32,919	–	–
Amounts due from group undertakings	–	10,508	119,042	113,161
Deferred taxation*	8,442	4,994	–	–
	134,781	125,732	119,042	113,161

Deferred taxation is made up as follows:

Depreciation in advance of capital allowances	2,176	1,535	–	–
Other short term timing differences	2,522	1,254	–	–
Pension and other post retirement benefits	3,744	2,205	–	–
	8,442	4,994	–	–
Balance brought forward	4,994	6,677	–	–
Acquisition of subsidiaries	(682)	–	–	–
Profit and loss account	4,130	(1,683)	–	–
Balance carried forward	8,442	4,994	–	–

*Other debtors include advance corporation tax recoverable of £12,992,000 (1995 £9,397,000) falling due after one year. Deferred taxation includes £3,744,000 (1995 £2,205,000) falling due after one year.

NOTES ON THE ACCOUNTS continued

15 CURRENT ASSETS – INVESTMENTS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Money market instruments*	165,314	113,722	6,850	–
Listed	65,552	46,873	439	439
Unlisted	11,281	7,177	372	328
	242,147	167,772	7,661	767

*Money market instruments at 31st March 1995 include certificates of deposit of £22,000,000 issued by a then group undertaking.

The market value of money market instruments held by the group and the Company at 31st March 1996 was £167,681,000 (1995 £113,749,000) and £6,850,000 (1995 £nil) respectively. The market value of listed investments held by the group and the Company at 31st March 1996 was £74,699,000 (1995 £49,225,000) and £650,000 (1995 £554,000) respectively. The directors consider that the value of unlisted investments at that date was not less than book amount.

16 CASH AND SHORT TERM DEPOSITS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
<i>Bank balances with:</i>				
Group undertakings	–	64,032	–	413
Other	189,940	76,348	3,616	93
	189,940	140,380	3,616	506

17 LOAN NOTES

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Loan notes (2004)	2,321	2,262	–	–
Loan notes (2005)	48,998	–	48,998	–
	51,319	2,262	48,998	–

The loan notes (2004) are unsecured and bear interest at LIBOR minus 0.5 per cent. which is payable in arrears on 30th June and 31st December in each year. The loan notes are repayable on demand, in whole or in part, on any interest payment date up to and including 30th June 2004. Loan notes to the value of £750,000 were issued during the year as deferred consideration for the acquisition by Mercury Asset Management plc in November 1994 of the entire issued share capital of Buzzacott Investment Management Limited. Loan notes to the value of £691,000 were redeemed during the year.

The loan notes (2005) were issued in 1995 as part of the Scheme of Arrangement. The loan notes are unsecured and bear interest at LIBOR minus 0.5 per cent. which is payable in arrears on 31st March and 30th September in each year. The loan notes are repayable on demand, in whole or in part, on 30th September 1996 or on any subsequent interest payment date up to and including 30th September 2005.

18 OTHER CREDITORS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Bank loans and overdrafts*	24,081	24,573	22,000	22,000
Amounts due to group undertakings	—	2,017	14,754	8,379
Trade creditors and accruals	114,816	78,840	286	10
Taxation	45,855	37,594	12,992	9,397
Other taxes and social security costs	1,828	1,319	—	—
Proposed ordinary dividend	51,969	37,588	51,969	37,588
	238,549	181,931	102,001	77,374

*Bank loans and overdrafts at 31st March 1995 include £22,000,000 due to a then group undertaking secured by the deposit of money market instruments of an equivalent amount.

19 CREDITORS — AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Trade creditors and accruals*	35,247	17,400	—	—
Taxation	6,623	6,950	—	—
	41,870	24,350	—	—

*Trade creditors and accruals include the capital fund of the Mercury Asset Management Group Employee Trust.

20 CALLED UP SHARE CAPITAL

	Allotted, called up and fully paid	Nominal value £
At 1st April 1995	181,920,583	9,096,029
Exercise of share options during the year	627,125	31,356
At 31st March 1996	182,547,708	9,127,385

In accordance with resolutions passed at an Extraordinary General Meeting of the Company on 3rd July 1995, the authorised share capital was increased from £12,500,000 to £19,404,300 by the creation of an additional 138,086,000 Ordinary Shares of 5p each. Following the conversion of 136,487,313 issued Ordinary Shares into deferred shares of 5p each, the deferred shares were purchased by the Company for £1 and cancelled. The authorised share capital was then reduced to £12,579,934, divided into 251,598,687 Ordinary Shares of 5p each.

NOTES ON THE ACCOUNTS continued

20 CALLED UP SHARE CAPITAL continued

At 31st March 1996, certain former and current executives of the group held options to subscribe for shares in the Company as follows:

1996	Number of shares 1995	Option prices	Exercisable not later than
–	542,750	90.0p	4th March 1997
11,250	11,250	99.6p	11th December 1997
14,705	14,705	120.0p	7th July 1998
54,375	101,250	142.8p	6th December 1998
101,250	138,750	186.0p	22nd June 1999
47,900	47,900	171.2p	23rd November 2000
250,000	250,000	320.0p	13th November 2002
1,010,000	1,062,500	562.0p	9th June 2004
25,000	25,000	624.0p	28th November 2004
1,685,350	–	863.0p	27th November 2005
153,500	–	866.0p	22nd December 2005

In each case the options were granted ten years before the expiry dates shown above and at the time of grant were exercisable as to one half after three years from the date of grant, the balance being exercisable only if certain conditions relating to the performance of the group are satisfied. On the posting of these accounts to shareholders, such conditions will have been satisfied in respect of all options exercisable not later than 23rd November 2000. During the year, options over 1,853,850 shares were granted and options over 67,500 shares lapsed.

21 RESERVES

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
<i>Group</i>				
At 1st April 1995	43,478	125	179,124	222,727
Arising on issue of Ordinary Shares	594	–	–	594
Share issue costs	(950)	–	–	(950)
Retained profit for the year	–	–	15,709	15,709
Goodwill written off	–	–	(9,459)	(9,459)
Transfer to capital redemption reserve	–	6,904	(6,904)	–
Other reserve movements	–	–	(428)	(428)
At 31st March 1996	43,122	7,029	178,042	228,193
<i>Company</i>				
At 1st April 1995	43,478	125	791	44,394
Arising on issue of Ordinary Shares	594	–	–	594
Share issue costs	(950)	–	–	(950)
Retained profit for the year	–	–	6,596	6,596
Transfer to capital redemption reserve	–	6,904	(6,904)	–
At 31st March 1996	43,122	7,029	483	50,634

Share issue costs represent expenses incurred in connection with the issue of shares to former shareholders of S.G.Warburg Group plc under the terms of the Scheme of Arrangement.

The group profit and loss account at 31st March 1996 includes £1,281,000 (1995 £2,770,000) relating to associated undertakings.

The cumulative amount of goodwill written off to 31st March 1996 was £42,821,000 (1995 £33,362,000).

22 NET CASH INFLOW FROM OPERATING ACTIVITIES AND EXCEPTIONAL ITEMS

	1996 £000	1995 £000
Operating profit from continuing activities	102,552	88,819
Exceptional inflow	35,000	—
Exceptional outflow	(22,793)	—
Depreciation	5,782	5,790
Increase in debtors	(3,381)	(3,108)
(Increase)/decrease in loans and advances	(18,633)	6,562
(Increase)/decrease in short term deposits	(13,928)	9,900
Increase/(decrease) in deposits by banks	1,681	(2,148)
Increase in other creditors	47,144	3,634
Other deferrals and accruals	(3,682)	(2,906)
Exchange adjustments	1,447	5,579
	131,189	112,122

23 PURCHASE OF SUBSIDIARY UNDERTAKINGS

The net outflow of cash in respect of the purchases of the outstanding 50 per cent. interest in Mercury Asset Management Limited and the entire issued ordinary share capital of Mercury Group Insurance Ltd. is analysed as follows:

	£000
Cash consideration	13,084
Cash and cash equivalents acquired	(4,999)
Net outflow of cash and cash equivalents	8,085

Mercury Asset Management Limited and Mercury Group Insurance Ltd. contributed £1,223,000 to the group's net operating cashflow, received £199,000 in respect of returns on investments and servicing of finance, paid £903,000 in respect of taxation and paid £189,000 in respect of investing activities.

NOTES ON THE ACCOUNTS continued

24 FINANCING

	Share capital (including share premium) £000	Minority interests £000
At 1st April 1994	52,271	3,963
Cash inflow from financing	303	–
Exchange adjustments	–	360
Other movements	–	193
At 31st March 1995	52,574	4,516
Cash inflow from financing	625	–
Share issue costs	(950)	–
Exchange adjustments	–	(368)
Other movements	–	218
At 31st March 1996	52,249	4,366

25 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1996 £000	Movement £000	1995 £000	Movement £000	1994 £000
Cash and short term deposits	174,922	35,632	139,290	27,526	111,764
Loans and advances	32,780	(23,408)	56,188	56,188	–
Deposits by banks	(30,515)	8,900	(39,415)	(39,415)	–
Customer accounts	(55,505)	(10,271)	(45,234)	(45,234)	–
Bank loans and overdrafts	(24,081)	492	(24,573)	2,681	(27,254)
Current asset investments*	22,724	264	22,460	(300)	22,760
Total cash and cash equivalents	120,325	11,609	108,716	1,446	107,270

*Current asset investments comprise money market investments of £22,000,000 (1995 £22,000,000) and listed investments of £724,000 (1995 £460,000).

The consolidated balance sheet includes cash and short term deposits of £15,018,000 (1995 £1,090,000), loans and advances of £38,882,000 (1995 £20,249,000) and deposits by banks of £25,114,000 (1995 £23,433,000) which fall outside the definition of cash and cash equivalents prescribed by Financial Reporting Standard 1.

26 FINANCIAL COMMITMENTS

At 31st March 1996 contracted capital expenditure amounted to £4,600,000 (1995 £8,500,000).

At 31st March 1996 the group had annual commitments under non-cancellable operating leases in respect of land and buildings as set out below:

	1996 £000	1995 £000
<i>Operating leases which expire:</i>		
Within one year	275	140
Between one and five years	1,578	610
In over five years	8,002	8,160
	9,855	8,910

27 CONTINGENT LIABILITIES

The group had contingent liabilities arising from acceptances, guarantees and letters of credit amounting to £46,331,000 at 31st March 1996 (1995 £50,990,000), arising from the business of Mercury Bank AG.

28 BROKERS' AND CLIENTS' BALANCES

Purchases and sales of securities for clients other than unit trusts are undertaken by the group, acting as agent. Accordingly, balances with brokers and clients in respect of these transactions are not shown in the group's balance sheet.

29 PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

The principal subsidiaries and associated undertakings at 31st March 1996, all of which are engaged in investment management, advisory and related services, are shown below. Unless otherwise stated, all these subsidiaries are incorporated in England and Wales, are wholly owned and, with the exception of Grosvenor Ventures Limited, Mercury Asset Management Holdings Ltd., Mercury Asset Management plc and Mercury Life Assurance Company Ltd., are indirectly held.

Subsidiaries	Place of incorporation
Mercury Asset Management plc	
Grosvenor Ventures Limited	
Mercury Asset Management Asia Ltd.	Hong Kong
Mercury Asset Management Canada Ltd.	Canada
Mercury Asset Management Channel Islands Ltd.	Jersey
Mercury Asset Management Group Services Ltd.	
Mercury Asset Management Holdings Ltd. (95% owned)	
Mercury Asset Management International Ltd.	
Mercury Asset Management Isle of Man Holdings Ltd.	Isle of Man
Mercury Asset Management Japan Ltd.	Japan
Mercury Asset Management Kapitalanlagegesellschaft mbH	Germany
Mercury Asset Management Limited	Australia
Mercury Asset Management Pte. Ltd.	Singapore
Mercury Asset Management S.A.	Luxembourg
Mercury Asset Management Vertriebsgesellschaft mbH	Germany
Mercury Fund Managers Ltd.	
Mercury Holdings B.V.	The Netherlands
Mercury Investment Services Ltd.	
Mercury Investment Trust Management Co., Ltd. (60.1% owned)	Japan
Mercury Bank AG	Switzerland
Mercury Life Assurance Company Ltd.	

Associated undertakings	Issued share capital	% held	Accounts prepared to
Munich London Investment Management Ltd. (registered in England)	75,000 shares of £1	50	31st March
NBK Investment Management Limited (registered in England)	3.1 million shares of 39p	40	31st December*

*Results based on audited accounts to 31st December 1995 and unaudited management accounts to 31st March 1996.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Mercury Asset Management Group plc will be held at Painters' Hall, 9 Little Trinity Lane, London EC4V 2AD at 12 noon on Wednesday, 26th June 1996 for the following purposes:

- 1 To receive the accounts for the year ended 31st March 1996, together with the reports of the directors and auditors thereon.
- 2 To declare a final dividend of 29.0p per share for the year ended 31st March 1996.
- 3 To reappoint directors. The following directors of the Company retire at the Annual General Meeting and will be proposed for reappointment:
 - (a) Mr C V Jackson
 - (b) Mr H A Stevenson
 - (c) Mr P Stormonth Darling
 - (d) Mr J C G Stancliffe
- 4 To reappoint Ernst & Young as auditors of the Company and to authorise the directors to determine their remuneration.
- 5 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

That the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,210,126 provided that this authority shall expire on the date of the next Annual General Meeting after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
- 6 To consider and, if thought fit, pass the following resolution as a Special Resolution:

That, subject to the passing of resolution 5 above, the Board be and it is hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited to:

 - (i) the allotment (otherwise than pursuant to sub-paragraph (ii) below) of equity securities up to an aggregate nominal value of £456,369;
 - (ii) the allotment of equity securities in connection with a rights issue in favour of all holders of relevant equity securities where the equity securities respectively attributable to the interests of all holders of relevant equity securities are proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them (but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever);

and shall expire on the earlier of the date which is fifteen months after the date on which this resolution is passed and the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

-
- 7 To consider and, if thought fit, pass the following resolution as a Special Resolution:
That in accordance with Article 49 of its Articles of Association and the Companies Act 1985, the Company is generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of Ordinary Shares of 5p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Board may from time to time determine, provided that:
- (i) the maximum number of Ordinary Shares that may be purchased pursuant to this authority is 9,127,385;
 - (ii) the maximum price which may be paid for an Ordinary Share purchased pursuant to this authority is an amount equal to 105 per cent. of the average of the middle market prices shown in the quotations for the Ordinary Shares in The Stock Exchange Daily Official List for the ten business days immediately preceding the day on which such Ordinary Share is purchased and the minimum price which may be paid is 5p per Ordinary Share (in each case exclusive of expenses and advance corporation tax (if any) payable by the Company); and
 - (iii) this authority will expire at the conclusion of the next Annual General Meeting of the Company, unless renewed before that time, but the Company may make a contract to purchase its Ordinary Shares under this authority before its expiry which will or may be executed wholly or partly after its expiry, and may make a purchase of Ordinary Shares in pursuance of any such contract.

By order of the Board
C B Farquharson
Secretary

33 King William Street
London EC4R 9AS
22nd May 1996

Notes

- 1 A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. To be valid, the instrument appointing a proxy, and the power of attorney or other authority (if any) under which it has been executed, or a notorially certified copy of such power or authority, must be received at the office of the Company's registrars, Independent Registrars Group Limited, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the Meeting.
- 2 No service contracts exist between the Company and any director of the Company which are not determinable within one year without payment of compensation (other than statutory compensation).
- 3 Holders of Variable Rate Unsecured Loan Notes 2005 are not entitled to attend or vote at the Meeting.

NOTICE OF MEETING continued

EXPLANATORY NOTES

Resolution 1

The directors of the Company have a duty to present to shareholders in general meeting the annual accounts of the Company, together with the directors' report and the report of the auditors. The auditors' report can be found on page 35 of this report.

Resolution 2

The directors recommend that a final dividend of 29.0p per share be paid to shareholders on the register at the close of business on 11th June 1996. If approved by shareholders, the final dividend will be paid on 3rd July 1996.

An interim dividend of 6.0p per share was paid on 18th December 1995.

Resolution 3

The Company's Articles of Association require a proportion of the directors to retire at each Annual General Meeting. In accordance with this provision, Mr Jackson, Mr Stevenson, Mr Stormonth Darling and Mr Urquhart will retire by rotation and, with the exception of Mr Urquhart, will seek reappointment as directors. Mr Stancliffe, having been appointed to the Board since the last Annual General Meeting, is also required to offer himself for reappointment.

Resolutions relating to the reappointment of directors will be voted upon separately, unless it is agreed otherwise by the meeting.

Resolution 4

This resolution proposes the reappointment of Ernst & Young as the Company's auditors until the next Annual General Meeting of the Company and authorises the directors to determine the remuneration to be paid to the auditors.

Resolution 5

Resolution 5 renews the authority of the directors to allot relevant securities. The nominal amount of relevant securities to which the authority relates (after taking into account shares required in connection with the exercise of outstanding options) represents approximately one third of the Company's issued share capital. This authority will expire at the Annual General Meeting of the Company to be held in 1997. Except pursuant to the exercise of options, the directors have no present intention of exercising this authority.

Resolution 6

This resolution renews the authority of the directors to allot equity securities for cash. The nominal amount of equity securities which may be issued without such securities first being required to be offered to existing shareholders represents approximately 5 per cent. of the nominal amount of the Company's issued share capital. This authority will expire at the Annual General Meeting of the Company to be held in 1997. There is no present intention to make any such issue of shares for cash, but the directors consider it desirable to maintain the flexibility afforded by this power.

Resolution 7

The current authority of the Company to make purchases of up to approximately 5 per cent. of its issued share capital expires at the Annual General Meeting and Resolution 7 seeks renewal of such authority until the Annual General Meeting in 1997. The price paid for shares will not be less than the nominal value of 5p per share nor more than 5 per cent. above the average of the middle market quotation of Ordinary Shares of 5p each in the Company as derived from the London Stock Exchange Daily Official List for the ten business days preceding the day on which the shares are purchased. This power will be exercised only if, in the opinion of the directors, a repurchase would result in an increase in earnings per share and would be in the best interests of shareholders as a whole. Any shares repurchased pursuant to this authority would be cancelled.

The directors believe that the resolutions are in the best interests of the Company and its shareholders as a whole and accordingly recommend shareholders to vote in favour of the resolutions.

DIRECTORS OF PRINCIPAL OPERATING COMPANY

MERCURY ASSET MANAGEMENT plc

Joint Chairmen

D W J Price S A Zimmerman

Deputy Chairmen

C Galley C N Hurst-Brown F D S Rosier

Vice Chairmen

I C S Barby R J Bunce A S Dalton C V Jackson P W Urquhart

I Armitage	P J Gibbs	C H Ong
N M Bachop	P J W Harrison	M J O'Shannassy
S J Baxter	P Harwood	R L Paris
T J Berger	T J Haston	J Parsloe
D T A Boyle	A M Hunter Johnston	A P Pickard
C C Brooke	M F M O Jodrell	R W Pullen
J L Callahan	A C J Lehmann	J W Richards
D J Causer	G A Lindsay	N K Ritchie
T W G Charlton	G Lowe	A F J Roe
N J Charrington	R J MacLeod	R G Royds
C M Clark	P R C Marshall	L C Ruddick
N J Coats	S A Mays	C J Shaw
S B Cohen	K R Mullins	I M Slack
J N Cotton	M Nishizawa	P W Stanyer
G R Dixon	T A Oates	H A Stevenson
C B Farquharson	P V Olsberg	B W Woolf
C N H Foster		

DIRECTORS OF BUSINESS DIVISIONS

UK INSTITUTIONS

Chairman

C Galley

Deputy Chairmen

R J Bunce

P W Urquhart

Vice Chairman

R W Pullen

Defined Contribution

R W Fairbairn

J L M Pursaill

M S Walker

Managed Fund Service

A M Hunter Johnston

J G Stevenson

R G Todd

Alpha

J E Macpherson

K R Mullins

A C W Parker

Mercury

H D George

P J Gibbs

T J Haston

R J W Milliken

E K Paterson

A H Popplewell

I M Slack

Select

T W G Charlton

A J Lennard

T A Oates

C D Poil

J W Richards

N L Roberts

L C Ruddick

G N Withers

Specialist

D T A Boyle

P Harwood

S G Roden

S J Thompson

N R Toovey

International

N M Bachop

P F Curtin

A J Hudson

G Lowe

C W Snow

Marketing

C M Clark

E P L Corley

A P Pickard

C Robertson

P W Stanyer

P J Wharton

S A Zimmerman

Mercury Development Capital

Chairman

J C G Stancliffe*

Managing Director

I Armitage

L G Dibden

J B Douglas

F C Jacob

J W Sharman

N T Turner

L Wilding

Quantitative & Derivatives

G R Dixon

C N H Foster

A S Wolman

Property

P V Olsberg

A C Delves

C N B Lacey

I D Mason

P R Taylor

PRIVATE INVESTORS

Chairman

F D S Rosier

Investment Director

B W Woolf

UK Private Clients

Deputy Chairman and

Managing Director

A F J Roe

Vice Chairman

R S Dawes

I E Bailey

A H Beck

R D C Dunbar

M F M O Jodrell

J B M Peto

J G Ruck Keene

S J Solomon

M G Wells

S M Wood

Private Client Marketing

J N Cotton

A H H Pettigrew

Charities

Managing Director

A C Akers

R Marriott*

A H H Pettigrew

International Private Clients

Deputy Chairman

I C S Barby

Managing Director

N J Coats

T C Colville

J Gatehouse

O M Lewisohn*

J N C McClintock

J C M Mellor

D M F Scott

M H Shallcross

Mercury Bank AG

Chairman

M Dwek

Vice Chairmen

O M Lewisohn

F D S Rosier

Dr T Bär

I C S Barby

Dr J Baschy

D J Causer

J N Cotton

Dr P Eisenring

J A Keller

R H Pennone

General Managers

G Haus

G D Weil

Deputy General Managers

F Affolter

Dr L Berthoud

Mercury Asset Management

Channel Islands Ltd.

Chairman

F D S Rosier

Managing Director

D Ferguson

A J Arnold*

S A Clark

J N Cotton

J Gillespie

R D Jackson

R R Jeune*

F P Le Feuvre

G A Lindsay

R E R Rumboll*

L Y P A Wong

Unit Trusts

Chairman

F D S Rosier

Managing Director

R G Royds

N J Charrington

R J S Clarke

M W Dedman

K W Emery*

P T Geikie-Cobb

C M Littlejohns

S R G Newton

K E Wake

B W Woolf

Investment Trusts

Managing Director

J L Callahan

A J Marsh

Sales & Marketing

Chairman

R G Royds

N J Charrington

J Gordon-Smith

M P Morrissey

F D S Rosier

Mercury Life Assurance

Chairman

F D S Rosier

Managing Director

M S Walker

C M Clark

J L M Pursaill

M H M Reid*

R G Royds

*non-executive

DIRECTORS OF BUSINESS DIVISIONS continued

INTERNATIONAL

President

H A Stevenson

Chairmen

A S Dalton

C N Hurst-Brown

Deputy Chairman

C V Jackson

I S Allison

D W Armstrong

D C Baker

J G A Baring

N M Beaton

T J Berger

G J Birch

C C Brooke

E Cameron Watt

H Cator

J E Chaplin

S B Cohen

T R Darvall

C J Fellingham

S Fukuyama

D R Graham

T C Holland

J C Lee

A C J Lehmann

N G Lupton

R J MacLeod

J Makita

J C L Marber

P R C Marshall

J N C McClintock

M Nishizawa

S A Nusseibeh

C H Ong

M J O'Shannassy

R L Paris

N K Ritchie

P Swarbreck

T Ueda

A E F Utermann

P A Walker-Duncalf

S Yamamoto

K Yoshida

North America

Chairman

P Stormonth Darling*

Vice Chairman

C C Brooke

Managing Director

C N Hurst-Brown

S W Golann

R J MacLeod

J E Nelson

D M F Scott

Australia

Chairman

C B Goode*

Managing Director

S A Mays

I C S Barby

A W Diplock*

D W J Price

C M Walter*

Canada

Chairman

P Stormonth Darling*

M H Brillon

R S C Donald*

R C Paterson*

Germany

Mercury Asset Management Kapitalanlagegesellschaft mbH

Chairman

H A Stevenson

Deputy Chairman

C N Hurst-Brown

T J Berger

A S Dalton

J Reimnitz

W Wanke

Managing Directors

F Bichlmaier

L Wille

Mercury Asset Management Vertriebsgesellschaft mbH

Managing Directors

S B Cohen

R Torkelund

Hong Kong

Chairman

A S Dalton

Managing Director

M J O'Shannassy

J N Cotton

S Fukuyama

L Y P A Wong

Japan

Chairman

A S Dalton

President

C J Shaw

T Nomura*

Mercury Investment Trust Management Co Ltd.

President

Y Takayama

Managing Directors

K Asai

S Ikeda

K Arao

Y Kozai

Singapore

Chairman

A S Dalton

D W Armstrong

D R Graham

M J O'Shannassy

International Representatives

G Azcoitia
Madrid

T Gerber
Zurich

J C Lee
Seoul

J N C McClintock
Bahrain

D H Peng
Taipei

C L Schreuders
Amsterdam

GROUP SERVICES AND OFFSHORE COMPANIES

Mercury Asset Management Group Services Ltd.

Chairman
D W J Price

S J Baxter
D J Causer
C B Farquharson
G A Lindsay
J Parsloe
J F M Rodwell
M A E Spence
P G Stark
J T Stratford
P M Summerfield
P J Wharton
J R W Williamson

Luxembourg

Chairman
A S Dalton

I C S Barby
T R Darvall
D Ferguson
G A Lindsay
J J Pye
R Torkelund
F Tesch*

Isle of Man

Chairman
C P Drinkwater*

N J Charrington
P M Cowley*
J C Fargher*
D Ferguson
R C Spencer

*non-executive

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