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1191-95

Rutland Trust PLC

DIRECTORS

*J L Beckwith FCA ATR *Chairman*

M R F Langdon MA FCA *Deputy Chairman Chief Executive*

W G Best BSc FCI FCI LA

C B Dowling BA ACA

K J Rawlings FCI

*A Cassels CA

*B J M Dally MB

*P S McDonald MA FCA

**Non executive*

SECRETARY

M R Douglas BSc FCA

REGISTERED OFFICE

Rutland House, Rutland Gardens, London SW7 1BX

REGISTERED NUMBER

1491292 England

AUDITORS

Peat Marwick McLintock

SOLICITORS

Taylor Garrett

STOCKBROKERS

Phillips & Drew Limited

REGISTRARS

Hill Samuel Registrars Limited

Rutland Trust provides a range of corporate financial services to high growth companies and personal financial services to their management and shareholders through the following four operating divisions:

- o **Corporate Finance** — the raising of equity finance for expansion, take overs and management buy-outs.
- o **Insurance Broking and Personal Financial Services** — for both commercial and personal requirements.
- o **Asset Backed Finance** — through lease financing and sales-aid schemes directed towards plant, equipment and property for high growth businesses.
- o **Professional Services** — through Ellis & Buckle which is a leading UK loss adjuster.

Rutland Trust is a quoted public company employing over 550 people, with substantial assets — it is committed to becoming a leading financial services group for high growth companies.

1987 Financial Highlights

	1987	1986	Percentage Increase
o Profit before tax and exceptional items	£5.3m	£2.7m	94%
o Shareholders' funds	£33.1m	£11.2m	195%
o Earnings per share	1.66p	0.83p	100%
o Dividend per share	0.24p	0.1p	140%

Chairman's Statement



1987 has been a year of rapid transformation for your Company. As foreshadowed in my Report accompanying the 1986 Annual Accounts your Company now operates in each of the financial services sectors identified in our declared corporate strategy.

The sale of our interest in the factoring business, Kellock Limited, to the Bank of Scotland, referred to in my Interim Statement, was accompanied by a change of name to

Rutland Trust PLC to reflect the new direction of your Company. As a part of this development we also undertook a successful Rights Issue in September 1987 which raised over £17m and Rutland Trust is now financially well placed for further growth.

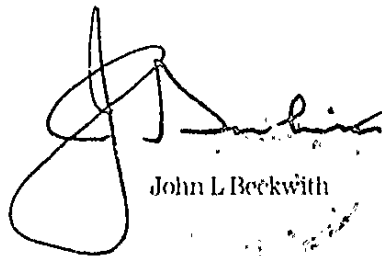
The year to 31 December 1987 has seen profits before tax rise from \$2.7m in 1986 to \$5.3m. The success of our acquisitions is better measured by a growth in earnings per share, which have doubled on a comparative basis, from 0.83p to 1.66p per share.

The Board proposes to pay a final dividend of \$307,000 (0.14p per share) giving a total for the year of \$500,000 (1986 \$130,000). Although merger accounting principles have been used for the acquisition of Ellis & Buckle, shareholders will note that earnings for 1987 have benefited from only a part year's contribution from our other acquisitions. Further profit related consideration is due to be paid for certain of our acquisitions, however significant earnings per share enhancement can be anticipated before such consideration becomes payable.

John Laurence, who was chairman of the Company from 1972 to 1984 and has since acted as a non executive director, has decided to retire from the Board to concentrate on his other interests. John's contribution to the formation and growth of Kellock and its transformation to Rutland Trust has been outstanding. We thank him for all his wise advice and help.

I would also like to thank all our staff, particularly those at Ellis & Buckle who have been put under enormous pressure as a result of the October storm, for their valued contribution during 1987. I believe that they are a part of a very exciting new group in Rutland Trust and I have every confidence it will prove to be a very successful and rewarding group within which to work.

Rutland Trust aims to become one of the leading UK financial services groups providing for the requirements of high growth companies and their personnel. We are confident that 1988 will be a year of further substantial growth.



John L Beckwith

Chief Executive's Report

Right: Michael Langton, Chief Executive.



In last year's Report and Accounts we outlined to shareholders our corporate strategy which is to develop a leading financial services group operating through the following four divisions:

- * Commercial Finance
- * Insurance Services
- * Financial Services
- * Asset Management

We have made good progress during 1987 in each of these divisions by acquiring and expanding successful businesses. Each company operating within a division is managed as an autonomous profit centre but it is accountable to Rutland Trust from whom it derives commercial and strategic advantages by being part of a larger quoted group.

Commercial Finance

In September Christopher Dowling and I were joined by Mark Johnson and Nick Morrill, who both came to us from Barclays de Zoete Wedd. Much of 1987 was spent developing our own corporate acquisition programme, however our London based corporate finance activities have already included a management buy-out in the machine tool industry, a start-up in the financial services sector and a number of other equity raising projects for clients. Fee income from this work has already more than covered the costs of setting up and running our London-based corporate finance operations.



Left: Christopher Dowling, Mark Johnson and Nick Morrill.

Right: Peter Underhill and Dennis Fredjohn of Capital Ventures.



In late November we acquired Capital Ventures, which is based in Cheltenham, Gloucestershire, with a staff of 14. It has a well-respected reputation in advising private companies on venture and development capital, Business Expansion Scheme promotion and also raises funds for Enterprise Zone developments. Dennis Fredjohn and Peter Underhill, who jointly founded Capital Ventures, will be developing

their corporate finance activity further into the West Midlands in 1988 which complements our leading strength in general insurance broking in that rapidly growing region of the UK.



Chief Executive's Report

continued

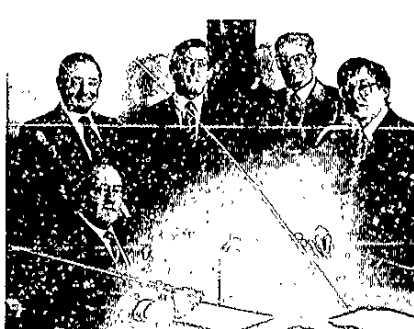
Right: The management team at Burlington's Folkestone office.



Insurance Broking and Personal Financial Services

Burlington, our insurance broker based in Folkestone, Kent has had an outstandingly successful year showing substantial organic growth in profits. It now employs 61 people and is expanding its London operation based at Rutland House.

In April we acquired Whitehouse Moorman & Partners, based at Solihull, which has fulfilled its 1987 profit target set at the time of the acquisition. It has recently expanded its personal financial services activities by acquiring the business of George Appleboam, a well-known local intermediary and a member of the FIMBRA council.



Left: The Whitehouse Moorman management team at Solihull, West Midlands.

Right: The Greville Baylis Parry management team at their Birmingham office.



Greville Baylis Parry, which is based in the centre of Birmingham, was acquired in September and it has also fulfilled its profit projections for 1987. It has recently expanded its insurance broking activities through the acquisition of A J Lees of West Bromwich.

Norminster, based at Peterborough, was also acquired in September and it is primarily involved in personal financial planning and portfolio fund management. Norminster has traded well up to our expectations, having also achieved results above the profit target set at acquisition.



Left: David Martin of Norminster Associates based at Peterborough.

Right: The management team of Atticus Financial Services based at Alton, Hampshire.



In October we acquired Atticus Financial Services, based at Alton, Hampshire, which also specialises in financial planning and personal insurance products. Atticus has recently brought in the services of Colin Langton, a respected independent intermediary who operates in the South West of England.

Chief Executive's Report

continued

The insurance broking and personal financial services division trades under a holding company, Rutland Insurance (Brokers) and Investment Group Limited, where each operation has board representation. At this level we formulate strategy, product development and also cross refer clients' specialist requirements. The insurance broking network will be expanded further during 1988 and it has already provided valuable contacts for other divisions of Rutland Trust, particularly Corporate Finance. Shareholders will note that the 1987 profits reflect only the post acquisition contribution of the insurance brokers acquired during the year and consequently 1988 should see substantial growth.

Asset Backed Finance

Our acquisition of Technology Group Limited ("TGL") was completed at the end of November and consequently its results had only a marginal impact on our 1987 profits. Our factoring business, Kellock Limited, was the main contributor to this division prior to its disposal to the Bank of Scotland in August 1987.



Left: Alastair Day, Granville Smithies, Barry Briggs and David Pearce of Technology Group.

TGL, under the leadership of Barry Briggs, is based at Albany, near Guildford, and it is involved in the arrangement and provision of sales and finance for manufacturers and suppliers of computer, office, typewriter and printing equipment. It also supplies mini and micro computers on a short term rental basis and this area was extended at the year end when Rutland Trust financed TGL to buy the assets and trade of Micro Business Systems' rental operations.

TGL's customer base and skills are complementary to those in Corporate Finance and we are planning for substantial growth in this area for 1988.

Right: Gerry Loughney, managing director, and Bill Best, chairman, of Ellis & Buckle.



Professional Services Loss Adjusting

Ellis & Buckle, one of the UK's leading loss adjusters, our first 1987 acquisition, was completed in April and it has, as expected, proved to be an excellent business. Under Bill Best's chairmanship we have restructured the top management team and Gerry Loughney has become Managing Director.

The October storm damage put the management and staff of Ellis & Buckle under extraordinary short term pressures. They rose to the challenge magnificently and they are a great credit to their profession.

The financial results of Ellis & Buckle, for which merger accounting principles have been adopted, reflect a substantial increase over the previous year and the management have received profit related bonuses. Excluding the effect of the extra business caused by the exceptional October storm damage, we continue to see underlying growth at Ellis & Buckle. Our plan is to expand the business by internal growth and to continue to provide an outstanding service to our clients.

Chief Executive's Report
continued

Mr. R. Langdon

For 1988 I believe we have in place a well balanced group already operating successfully in each of our chosen areas of development. We have recently completed the acquisition of Property Enterprise Managers Limited which raises finance from individuals for Enterprise Zone developments through a Trust structure. This personal financial services product has been highly successful and over \$40m has already been raised during the first quarter of 1988. The successful development of Property Enterprise Managers was achieved under the ownership of London & Edinburgh Trust PLC, who is our principal shareholder and from whom we have received introductions to important business opportunities.

Following our successful Rights Issue in September 1987 we now have substantial financial resources and we will use this strength for further expansion, both internally and, where appropriate, through carefully planned and executed acquisitions. Our principal financial objective is to improve earnings per share by organic growth and a key programme for 1988 is to increase the opportunities available to our various divisions by working closely together.

Michael R F Langdon

Michael R F Langdon

Report of the Directors

The directors present their Annual Report and the audited Accounts for the year to 31 December 1987.

Activities of the company and its subsidiaries

The company carries on the business of a holding company for a financial services group and its major subsidiaries are engaged in the following activities:

- Corporate finance
- Insurance broking and personal financial services
- Asset backed finance
- Professional services through loss adjusting.

Review of business and future developments

The group expanded significantly during the course of the year, commencing with the acquisition of Ellis & Buckle, Chartered Loss Adjusters, which was announced in April. The acquisition during the year of Whitehouse Moorman & Partners Limited, Greville Baylis, Parry and Associates Limited, Norminster Associates Limited and Atticus Financial Services Limited enhanced the regional base of the insurance broking and personal financial services activity.

In September, the company disposed of its interest in Kellock Limited, the debt factoring and invoice discounting business, to the Bank of Scotland for a total consideration of \$7.5m. The company also changed its name from Kellock Trust PLC to Rutland Trust PLC to reflect the change in the nature of the group after the disposal.

The Rights Issue announced in August on the basis of one share for every 10 held raised \$17.5m net of expenses. The company subsequently acquired Technology Group Limited whose main activity is asset backed financing for computer, graphic arts and printing equipment. Capital Ventures Limited, which was acquired in December, provides equity funds under the Business Expansion Scheme and raises funds for Enterprise Zone developments.

The profit before tax and exceptional items of the four operating divisions can be analysed as follows.

	1987	1986
	\$000	\$000
Head office and corporate finance	1,110	(139)
Insurance broking and personal financial services	879	12
Asset backed financing factoring	905	1,216
Professional services	2,382	1,634
	<u>5,276</u>	<u>2,723</u>

Merger accounting principles are applicable to the consolidation of Ellis & Buckle and accordingly its profit has been included from 1 January 1987. Comparative results have also been adjusted.

Post balance sheet events are contained in Note 3.20 to the accounts.

Dividends

An interim dividend of 0.1 pence per share was paid on 23 November 1987. A final dividend of 0.14 pence per share is now recommended making a total of 0.24 pence per share. The final dividend per share is based on the number of shares in issue at 31 December 1987, increased by shares to be issued as secondary consideration for acquisitions during the year and the subsequent acquisition of Property Enterprise Managers Limited.

The retained profit for the year is \$6,177,000 after payment of the dividend which will be paid on 30 May to shareholders on the register at 29 April 1988.

Report of the Directors

continued

Fixed assets

The company acquired the freehold of a new head office at Rutland House, Rutland Gardens, London SW7, in July 1987. The total cost, including subsequent refurbishment, included in the balance sheet at 31 December 1987 was £2,558,000. The freehold property was valued by Savills Limited on a current open market value basis in October 1987 at an amount of \$4 million. Information relating to changes in fixed assets is given in Note 3.1 to the accounts.

Directors and directors' interests

The directors during the year and their beneficial interests at 31 December 1987 in the shares of the company were as follows:

	Ordinary Shares of 1p each			
	31 December 1987		31 December 1986	
	Fully Paid	Options	Fully Paid	Options
*J L Beckwith	1,591,935		1,250,000	
M R F Langdon	2,674,000	743,501	2,500,000	
W G Best (appointed 23 June 1987)	591,666			
C B Dowling	117,000	1,759,630	100,000	1,000,000
K J Rawlings	2,529,795	25,520	2,081,195	
*A Cassels	132,480		110,400	
*B J M Dally	120,000		90,000	
*J K Laurence	336,000		336,000	
*P S McDonald	107,000		100,000	

***Non executive:**

Mr J L Beckwith FRC, aged 41, is executive chairman of London & Edinburgh Trust PLC, a leading UK property development company and is a 10 per cent shareholder in Rutland Trust PLC.

Mr A Cassels Cx, aged 57, is an executive director of Edinburgh Fund Managers PLC and is on the board of a number of other public companies.

Mr B J M Dally, aged 57, is a partner in Taylor Garrett, a London firm of solicitors.

Mr P S McDonald FRC, aged 44, is an executive director of London & Edinburgh Trust PLC.

Mr B J Allen resigned on 17 September 1987 and Mr J K Laurence resigned on 16 March 1988.

Mr C B Dowling's interests include an option to acquire from London & Edinburgh Trust PLC 1,016,129 ordinary shares exercisable between 5 July 1988 and 5 January 1990.

No change in the directors' interests has taken place between 31 December 1987 and 21 March 1988.

Mr W G Best has a service contract with Ellis & Buckle which expires on 5 April 1989. Mr K J Rawlings has a service contract with Burlington Insurance Services Limited which expires on 9 October 1990 and is subject to not less than six months' notice thereafter. Other directors have service contracts of less than one year's duration.

The following directors have an interest in subsidiary companies as follows:

	Name of subsidiary	Number of shares held	%
M R F Langdon	Rutland Corporate Finance Limited	50	5
C B Dowling	Rutland Corporate Finance Limited	150	15
K J Rawlings	Burlington Insurance Services Limited	14,989	15

During the year, Mr W G Best disposed of his 10.7 per cent holding in Ellis & Buckle which was subsequently acquired by the company. The initial consideration for the shares was \$1.2m. Under the agreement further consideration is payable dependent upon increased profitability.

Report of the Directors

continued

Donations

During the year, the group made charitable donations amounting to \$14,000 and a donation of \$5,000 was made to the Conservative Party.

Employment of disabled persons

The group's employment policies make provision for ensuring fair treatment and maintenance of equal opportunities. These policies include full consideration of the needs of disabled people whether registered or not.

Employee involvement

The group actively encourages employees to participate in the improving financial success of the group through the group share option scheme. Individual business managements have continued to maintain direct communication with employees to secure their co-operation and involvement.

Substantial holdings

London & Edinburgh Trust PLC has an interest of 40 per cent of the issued share capital of the company. The company has not received any notification of any other interest or group of interests held by persons acting together which at 21 March 1988 represented 5 per cent or more of the issued ordinary share capital of the company.

Taxation

The company does not fall within the close company provisions of the Income and Corporation Taxes Act 1970.

Shareholders should note that the base price of the shares purchased after 31 March 1982 for capital gains tax purposes is the equivalent of 3.09p per share, adjusted for any rights issues and other changes in share capital since that date.

Auditors

Peat Marwick McLintock have expressed their willingness to be reappointed auditors of the company. The resolution to reappoint them will be proposed at the Annual General Meeting.



By Order of the Board

M R Douglas

Secretary

21 March 1988

Consolidated profit and loss account
for the year ended 31 December 1987

	Note	1987 \$000	1986 \$000
TURNOVER	2.1	23,473	13,672
Change in stocks of goods for resale and work in progress		(515)	(261)
Other external charges		4,085	
Staff costs	2.2	8,521	5,559
Depreciation		953	612
Other operating charges		5,317	3,438
Other operating income		(386)	(121)
Interest receivable		(1,755)	(188)
Interest payable	2.3	1,917	2,081
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS		5,276	2,723
Exceptional item	2.4	---	670
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2.5	5,276	2,053
Tax on profit on ordinary activities	2.7	1,850	799
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,426	1,254
Minority interests		566	126
PROFIT BEFORE EXTRAORDINARY ITEMS		2,860	828
Extraordinary items	2.8	3,817	(711)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2.9	6,677	757
Dividends	2.10	590	150
RETAINED PROFIT FOR THE YEAR		6,177	627
Earnings per 1p ordinary share	2.11	1.66p	0.82p
Fully diluted earnings per share		1.55p	

Merger accounting principles are applicable to the consolidation of Ellis & Buckle and accordingly its profit has been included from 1 January 1987. Comparative figures have also been adjusted.

The statement of movement on revenue reserves is set out in Note 3.15.

The notes on pages 13 to 23 form part of these accounts.

Balance Sheets

at 31 December 1987

		Group		Company	
	Note	1987 £000	1986 £000	1987 £000	1986 £000
FIXED ASSETS					
Tangible assets	3.1	10,303	2,649	2,695	10
Investments	3.2	965	1	15,896	6,686
Debtors due after more than one year	3.3	3,628			
		14,896	2,650	18,591	6,696
CURRENT ASSETS					
Stock and work in progress	3.4	1,412	927	-	-
Debtors	3.5	21,624	50,410	8,818	239
Investments	3.6	6,312		6,310	
Cash at bank and in hand		16,206	11,965	13,017	8,482
		45,584	63,332	28,145	8,721
Creditors: amounts falling due within one year	3.7	19,317	51,746	2,978	1,401
NET CURRENT ASSETS		26,267	11,616	25,167	7,320
TOTAL ASSETS LESS CURRENT LIABILITIES		41,163	14,266	43,758	14,016
Creditors: amounts falling due after more than one year	3.8	4,070	-	-	563
Provisions for liabilities and charges	3.10	37,093	13,391	13,758	13,415
		34,052	12,606	41,760	13,496
CAPITAL AND RESERVES					
Called up share capital	3.11	2,066	1,567	2,066	1,567
Share premium account	3.12	23,157		23,157	
Capital reserves	3.13	609	8,351	10,927	10,927
Revaluation reserve	3.14	-	-	-	908
Profit and loss account	3.15	7,290	1,276	5,610	91
		33,122	11,194	41,760	13,496
Minority interests		630	1,412		
		34,052	12,606	41,760	13,496

These accounts were approved by the Board of Directors on 21 March 1988

JL Beckwith Chairman
MR F Langford Deputy Chairman and Chief Executive

The notes on pages 15 to 25 form part of these accounts



**Consolidated Statement of Source
and Application of Funds**

for the year ended 31 December 1987

	Expended (£000)	Applied (£000)	1987 Total (£000)	1986 Total (£000)
SOURCE OF FUNDS				
Profit on ordinary activities before taxation less minority interests	1,710		1,710	1,627
Adjustment for items not involving the movement of funds:				
Depreciation	953		953	632
Minority interests	336	(609)	(73)	339
Profit on disposal of fixed assets and investments	(256)		(256)	(311)
	5,943	(609)	5,334	4,705
Funds from other sources:				
Issue of share capital	17,545	6,110	23,655	11,430
Disposal of fixed assets and investments	780	571	1,351	278
Obligations under finance leases and hire purchase agreements	632		632	
Creditors falling due after more than one year	(567)	3,378	2,711	125
Provisions for liabilities and charges	(125)	305	180	30
Extraordinary item		(855)	(855)	(180)
	18,400	11,509	29,909	11,793
	24,351	15,382	39,733	14,498
APPLICATION OF FUNDS				
Purchase of fixed assets	(1,097)	(730)	(1,827)	(1,830)
Purchase of own shares				(17)
Purchase of investments	963		963	
Investment in finance leases	(379)	(1,651)	(2,030)	
Tax paid	591		591	505
Dividends paid	(123)		(123)	(61)
Purchase of goodwill in subsidiaries		(7,741)	(7,741)	(2,509)
Dividend and loan stock interest payable to minority	(69)		(69)	(37)
	8,660	14,852	23,512	5,548
	15,691	530	16,221	8,950
INCREASE/(DECREASE) IN WORKING CAPITAL				
Stock and work in progress			515	361
Debtors			(28,786)	(1,045)
Current investments			6,312	
Creditors falling due within one year			(2,574)	(8,591)
Movement in Net Liquid Funds:				
Cash at bank and in hand			4,212	11,265
Bank overdrafts and loans			(21,191)	(9,125)
			16,221	8,950
Total consideration for acquisitions			9,009	
Goodwill on consolidation			7,541	
Net assets acquired			1,208	

Notes to the accounts

1 ACCOUNTING POLICIES

1.1 CONVENTION

The accounts have been prepared under the historical cost convention adjusted for revaluations of certain fixed assets.

1.2 TURNOVER

The invoiced amounts of services provided during the year are stated net of value added tax.

1.3 BASIS OF CONSOLIDATION

The consolidated accounts comprise the audited accounts of the company and its subsidiaries which are made up for the year to 31 December 1987. Merger accounting is applied where appropriate conditions have been satisfied, otherwise the results of companies acquired or sold during the year are included in the group accounts from or to their respective dates of acquisition or disposal.

1.4 GOODWILL

Goodwill arising on consolidation is written off against reserves.

1.5 DEPRECIATION

Fixed assets are written off on a straight line basis over their estimated useful lives. Depreciation on certain freehold properties and operating leases is as follows:

Freehold buildings	50 years
Leasehold property	Length of lease
Motor vehicles	4 years
Computers and office equipment	4-5 years
Furniture and fittings	5-10 years

In the opinion of the directors, the freehold assets which have not been depreciated are of a non-specialised nature, are regularly maintained and have a value of at least that shown in the balance sheet.

1.6 DEFERRED TAXATION

Provision is made for deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The provision is maintained to the extent that timing differences are not expected with reasonable probability to continue into the foreseeable future.

1.7 LEASES

Profits from asset-backed financing transactions are recognised at a constant after tax return on the balance of funds invested in each transaction.

Assets acquired under finance leasing agreements are capitalised at the present value of the minimum lease rentals payable and are depreciated on a basis consistent with other fixed assets.

The investment in assets for rental under operating leases is shown as a fixed asset valued at cost less accumulated depreciation.

1.8 STOCK AND WORK IN PROGRESS

Stock and work in progress are valued at the lower of cost and net realisable value. Cost of professional work in progress includes operating expenses attributable to client cases in progress.

1.9 CURRENT INVESTMENTS

Current investments are valued at the lower of cost and market value.

Notes to the accounts

(continued)

2.7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1987 \$000	1986 \$000
UK Corporation tax at 35 percent (1986: 36.25 percent on taxable profits for the year)	1,711	588
Deferred taxation	136	211
	<u>1,847</u>	<u>799</u>

2.8 EXTRAORDINARY ITEMS

	1987 \$000	1986 \$000
Profit on disposal of Kelsco Ltd and subsidiaries	5,827	
Reorganisation and redundancy costs (including \$37,500 compensation to a former director)		(1,801)
Less: Deferred taxation	(2,010)	65
Minority share		11
	<u>3,817</u>	<u>(1,725)</u>

2.9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

No profit and loss account is presented for Rutland Trust PLC as provided by Section 228(7) of the Companies Act 1985. The group profit attributable to shareholders includes profit after tax and after extraordinary items of \$6,016,000 (1986: \$295,000) of Rutland Trust PLC.

2.10 DIVIDENDS

	1987 \$000	1986 \$000	1987 Pence	1986 Pence
Interim dividend	193	130	0.10	0.10
Proposed final dividend	307	130	0.14	0.10
	<u>500</u>	<u>260</u>		

2.11 EARNINGS PER SHARE

The figure for earnings per share of 1.66 pence (1986: 0.83 pence) is calculated on the profit of the group after taxation (after deducting minority interests and before extraordinary items) of \$2,860,000 (1986: \$825,000) on a weighted average of 172,471,589 shares of 1p each (1986: 99,286,116). The weighted average number of shares has been adjusted to allow for the effect of the Rights Issue announced on 11 August 1987.

Fully diluted earnings per share of 1.55 pence takes into account an estimated 6,022,000 ordinary shares to be issued as secondary consideration which is calculated on a formula linked to the profitability of the companies acquired during the year ended 31 December 1987. Further details are given in note 3.17. Outstanding share options cover 5,982,578 shares have also been included.

Notes to the accounts
continued

3 BALANCE SHEET

3.1 TANGIBLE FIXED ASSETS Group	Land and buildings	Motor vehicles	Furniture, fittings and equipment	Rebate assets	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 1987	483	1,629	1,979		4,101
On acquisition of subsidiaries	1,509	729	658	1,763	4,659
Additions	2,656	1,426	954	1,060	6,096
Disposals	(244)	(722)	(48)	(95)	(1,109)
On disposal from group		(255)	(932)		(1,187)
At 31 December 1987	4,401	2,817	2,610	2,730	12,561
Depreciation					
At 1 January 1987	31	683	738		1,452
On acquisition of subsidiaries	5	278	293	139	1,015
Provision for the year	13	526	368	16	923
Disposals	(15)	(492)	(46)	(21)	(574)
On disposal from group		(170)	(493)		(663)
At 31 December 1987	34	900	860	164	2,958
Net Book Value					
At 31 December 1987	4,370	1,917	1,750	2,566	10,603
At 31 December 1986	452	2,000	1,241		3,693

Company	Land and buildings	Motor vehicles	Furniture, fittings and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 1987		27		27
Additions	2,558	48	100	2,706
Disposals		(8)		(8)
At 31 December 1987	2,558	67	100	2,725
Depreciation				
At 1 January 1987		17		17
Provision for the year		12	3	20
Disposals		(2)		(2)
At 31 December 1987		27	3	30
Net book value				
At 31 December 1987	2,558	40	97	2,695
At 31 December 1986		40		40

Notes to the accounts
continued

3.1 TANGIBLE FIXED ASSETS (CONTINUED)

	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
The net book value of land and buildings comprises:				
Freehold	1,215	196	2,558	
Long leasehold	23	250		
Short leasehold	102	6		
	<u>1,340</u>	<u>452</u>	<u>2,558</u>	

The amounts relating to assets acquired under finance leases included in the group balance sheet at 31 December 1987 were:

	£000
Cost	30
Depreciation	2
Net book value	<u>28</u>

3.2 INVESTMENTS

Group	1987	1986
	£000	£000
Unlisted investment at cost		
At 1 January 1987	1	1
On acquisition of subsidiaries	2	
Additions	962	
On disposal from group	(11)	
At 31 December 1987	<u>965</u>	<u>1</u>

Unlisted investments comprise minority holdings in certain companies which are clients of the Corporate Finance division. The company has an indirect interest in 33.6 per cent of the ordinary shares and 80 per cent of the preference shares of IMF Financial Services PLC which is incorporated and operates in England. It is a trading asset and has therefore not been consolidated.

Company	Investments in subsidiaries	Unlisted investments	Total
	£000	£000	£000
Cost			
At 1 January 1987	6,829		6,829
Additions	11,375	235	11,610
Disposals	(2,400)		(2,400)
At 31 December 1987	<u>15,804</u>	<u>235</u>	<u>16,039</u>
Amounts written off			
At 1 January and 31 December 1987	113		113
Net book value			
At 31 December 1987	<u>15,661</u>	<u>235</u>	<u>15,896</u>
At 31 December 1986	<u>6,686</u>		<u>6,686</u>

Notes to the accounts
continued

3.3 DEBTORS DUE AFTER MORE THAN ONE YEAR

	Group 1987 £000	Group 1986 £000
Assets held under finance leases - rentals receivable		
Gross future rentals receivable	7,024	
Future income	(3,864)	
Net rentals receivable	3,160	
Comprising:		
Amounts due within one year:		
Under finance leases	2,796	
Under hire purchase agreements	364	
	3,160	
Amounts due after more than one year:		
Under finance leases	3,571	
Under hire purchase agreements	57	
	3,628	
Cost of assets acquired for letting under finance leases and hire purchase agreements	1,190	

3.4 STOCK AND WORK IN PROGRESS

	Group 1987 £000	Group 1986 £000
The amounts attributable to the different categories are:		
Stock of goods held for resale	36	
Professional work in progress	1,406	925
	1,442	925

3.5 DEBTORS

	Group		Companies	
	1987 £000	1986 £000	1987 £000	1986 £000
Trade debtors	9,493	19,591	15	
Loan Notes receivable	7,500		7,500	
Amounts owed by group companies			657	125
Other debtors	739	73	187	
Prepayments and accrued income	882	746	459	112
Rentals receivable	3,010			
	21,624	20,410	8,818	237

The Loan Notes are from the Bank of Scotland in consideration of the disposal of Kelsco Ltd and its subsidiaries. The notes can be redeemed in whole or part on 16 September 1988 or 16 March or 16 September in subsequent years and bear interest at the six month London Interbank Bid Rate.

3.6 INVESTMENTS

	Group		Companies	
	1987 £000	1986 £000	1987 £000	1986 £000
Investments listed on UK Stock Exchange, principally gilt edged securities (at market value)	6,259		6,254	
Unlisted investments (at cost)	53		53	
	6,312		6,307	

Notes to the accounts
continued

3.7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
Bank loans and overdrafts (note 3.9)	1,699	22,893		
Trade creditors	7,611	25,136	238	1,090
Amounts owing to group companies			1,522	
Corporation tax	1,793	591	14	
Advance corporation tax	227	119	185	53
Obligations under finance leases and hire purchase agreements	3,264			
Other taxes and social security	1,225	528	22	
Other creditors	1,268	26	75	
Accruals and deferred income	1,893	2,203	615	128
Proposed dividends	307	130	307	130
	19,317	51,716	2,978	1,401

3.8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Group		Company	
	1987	1986	1987	1986
	£000	£000	£000	£000
Floating rate notes		573		573
Bank loans (note 3.9)	187	125		
Corporation tax		11		
Obligations under finance leases and hire purchase agreements	3,571			
Accruals and deferred income	9			
	1,070	714		573

The floating rate unsecured loan notes were redeemed at par on 30 November 1987

	Group	
	1987	1986
	£000	£000
Bank loans		
Between two and five years	397	125
After more than five years	90	
	187	125
Obligations under finance leases and hire purchase agreements:		
Between two and five years	3,527	
After more than five years	19	
	3,571	

Notes to the accounts
continued

3.9 GUARANTEES AND SECURED CREDITORS

At 31 December 1987, the following subsidiaries had secured overdrafts and loans:

- (i) Burlington Insurance Services Limited has a loan of \$351,000 secured by a charge on its freehold property. It also has a long term loan of \$175,000 secured by a guarantee by Rutland Trust PLC which bears interest at 1.5 per cent over base rate, and repayment is due on 13 March 1991.
- (ii) Technology Group Limited has bank loans of \$1,528,000 secured on its freehold properties and on certain finance lease receivables. The assets of certain of the Technology Group companies are charged by way of a debenture and cross guarantee to Barclays Bank plc. Obligations under finance leases and hire purchase commitments are secured by legal ownership of the underlying assets and/or assignment of rentals due under subleases. In addition, Technology Group has given further guarantees to certain banks and building societies in respect of loans made to its group companies, for which it has charges on properties owned by the recipients of the loans.
- (iii) Norminster Associates Limited has a mortgage of \$101,000 secured on its freehold property.

Rutland Trust PLC has given the following additional guarantees:

- (i) \$98,000 to Whitehouse Moorman Holdings Limited in respect of a loan note issued following a recent acquisition.
- (ii) Rutland Corporate Finance Limited to subscribe for shares in one of its client companies, the number and value being linked to the profit of the client to 31 March 1988.

3.10 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 1987 \$000		Company 1987 \$000	
Deferred tax on the full provision basis				
Accelerated capital allowances	326	279	5	
Provision for tax on realisation of the Loan Notes receivable on the disposal of Kelscot Ltd and its subsidiaries	2,010		2,010	
Other timing differences	619	515	97	
Advance corporation tax	(152)	(65)	(114)	(53)
	3,003	739	1,998	(53)
Provisions:				
Additional staff earnings	38	50		
Total	3,041	789	1,998	(53)
Movements on the provision for deferred tax:	Group \$000		Company \$000	
At 1 January 1987	739		(53)	
Charge to profit and loss account	2,116		2,112	
Movement in advance corporation tax recoverable	(87)		(61)	
Acquisition/disposal of subsidiaries	205			
At 31 December 1987	3,003		1,998	

Notes to the accounts
continued

3.11 SHARE CAPITAL	Company and Group	
	1987	1986
	£000	£000
AUTHORISED		
200,000,000 ordinary shares of 1p each (1986, 175,800,000)	2,000	1,758
Movement in authorised share capital		£000
At 1 January 1987		1,758
Creation of additional 121,200,000 ordinary shares of 1p each following special resolutions passed on: 5.5.87 (71,200,000 shares)		
10.9.87 (50,000,000 shares)		1,242
At 31 December 1987		3,000
ISSUED AND FULLY PAID	1987	1986
	£000	£000
206,561,109 ordinary shares of 1p each at 31 December 1987 (1986, 156,707,118)	2,066	1,567
Movement in issued and fully paid share capital		£000
At 1 January 1987		1,301
Issue of 26,650,223 shares in connection with the acquisition of Ellis & Buckle		266
		1,567
Issue of 9,992,672 shares on further acquisitions during the year		100
Issue of 2,000,000 shares as secondary consideration for Burlington Insurance Services Ltd		20
Rights Issue of 31,791,189 shares at 57p per share on the basis of 1 share for every 10 shares held by shareholders on the register at 11 August 1987		319
Issue at 31 December 1987		2,006
Issue of 6,022,000 shares to be made as secondary consideration for companies acquired, based on profits of the subsidiaries for the year to 31 December 1987 (note 3.17)		60
		2,066

During the year, options have been granted under the executive share option scheme over a total of 1,993,885 ordinary shares of 1p each, adjusted where appropriate for the rights issue, as follows:

Date	No. of Options	Price
5 June 1987	1,453,068	40.3p
28 October 1987	540,817	19.0p

Following the restructuring of the issued share capital on 3 November 1986, a total of 689,500 share options have been exercised at 8.1p each under the rules of the scheme, including 41,500 during 1987.

As a result of the disposal of Kelscot Ltd and its subsidiaries a further 988,693 options must be exercised at 8.1p before 16 September 1988.

Notes to the accounts
continued

3.12 SHARE PREMIUM ACCOUNT

	Group 1987	Company 1987
At 1 January 1987	8000	10,819
Transfer to capital reserve on cancellation		10,819
Premium on shares issued as initial consideration on acquisition of subsidiaries	3,261	
Premium on 2,000,000 shares issued as secondary consideration for Burlington Insurance Services Ltd	520	
Rights issue of 31,794,489 shares	17,225	
Premium on 6,022,000 shares to be issued as secondary consideration for acquisitions during the year (note 3.17)	7,419	
At 31 December 1987	23,175	

3.13 CAPITAL RESERVES

	Group 1987	Company 1987
At 1 January 1987	108	108
Transfer from share premium account	10,819	10,819
Goodwill on consolidation at 1 January 1987	(2,793)	
Merger reserve arising in connection with the consolidation of Ellis & Buckle (1986)	217	
Goodwill on consolidation written off during the year	(5,258)	
Goodwill on estimated secondary consideration (note 3.17)	(2,184)	
At 31 December 1987	609	10,927

The transfer from share premium account arose following its cancellation at 31 December 1986, which was approved by a special resolution of the shareholders on 5 May 1987 and confirmed by court order.

Capital reserves include an amount of \$108,000 (1986: \$108,000) in respect of a capital redemption reserve representing the nominal value of shares acquired for cancellation during 1986 and prior years.

3.14 REVALUATION RESERVE

	Company 1987
At 1 January 1987	8000
Release on disposal of subsidiary	908
At 31 December 1987	8908

3.15 PROFIT AND LOSS ACCOUNT

	Group 1987	Group 1986
At 1 January 1987	8000	8000
Retained profit for the year	1,276	825
Adjustment for period 1 October to 31 December 1986	6,177	627
Transfer to capital redemption reserve	(163)	(22)
Purchase of own shares		(1,465)
At 31 December 1987	7,290	1,375

The adjustment for the period 1 October to 31 December 1986 reflects the group share of the profit and loss account of Ellis & Buckle from the date of the company's last audited balance sheet, to the beginning of the year. The profit for the year to 31 December 1987 has been consolidated under the merger accounting principles.

Notes to the accounts

continued

3.16 PRINCIPAL SUBSIDIARIES

The company's principal subsidiaries, all of which are incorporated and operate in England, are:

	Proportion of shares held if other than wholly owned	
	Direct	Indirect
Rutland Corporate Finance Ltd (Corporate Finance)	80	
Capital Ventures Ltd (Venture Capital)	75	
Technology Group Ltd (Lease Finance)	75	
Associated Lease and Finance Ltd (Lease Finance)		75
Digital Rentals Ltd (Computer Leasing)		75
Technology Finance Ltd (Lease Finance)		75
Technology Group Printing Equipment Ltd (Lease Finance - printing)		75
Atticus Financial Services Group Ltd (Insurance Broking)	75	
Burlington Insurance Services Ltd (Insurance Broking)	75	
Graville Baylis, Parry & Associates Ltd (Insurance Broking)	75	
Norminster Associates Ltd (Investment Management)		75
Whitehouse Moorman & Partners Ltd (Insurance Broking)		75
Holding & Management (Midlands) Ltd (Property Management)	75	
Malvern Underwriting & Reinsurance Agencies Ltd (Underwriting Agent)	51	
Ellis & Buckle (Loss Adjusting)		85

On 5 May 1987, the company acquired an indirect holding of 8.5 per cent in Ellis & Buckle for a consideration of \$11,865,000. No share premium arises from the transaction under section 131 Companies Act 1985. An amount of \$952,000, which arose prior to the date of acquisition, has been included with the consolidated profit before tax. The total for the year was \$2,382,000.

Other acquisitions have been accounted for under the acquisition method. The consolidated profit before tax includes amounts of \$288,000 in respect of Technology Group Limited which was acquired on 24 November 1987 and \$252,000 in respect of Insurance Broking and Fund Management activities acquired during the year.

The consolidated profit before tax also includes an amount of \$866,000 attributable to the period of ownership of Kelscot Ltd and its subsidiaries, which was disposed of on 17 September 1987.

3.17 SECONDARY CONSIDERATION

Adjustment has been made for the estimated secondary consideration in respect of the companies acquired by Rutland Trust PLC during the year. Provided that the companies achieve a minimum level of net profits for the period to 31 December 1987, the consideration is determined on a sliding scale up to an agreed maximum. The consideration is satisfied primarily by the issue of shares in Rutland Trust PLC or in cash and is payable shortly after agreement of the 1987 profits.

The secondary consideration provided in respect of the 1987 acquisitions is \$2,484,000 for which it is anticipated that 6,022,000 shares in Rutland Trust PLC will be issued.

Further consideration will be payable in respect of the 1987 acquisitions, which will be determined on the profits achieved in 1988.

3.18 CAPITAL COMMITMENTS

	Group		Company	
	1987	1986	1987	1986
	\$000	\$000	\$000	\$000
Contracted but not provided for	284	12	172	
Authorised but not contracted	41			

3.19 CONTINGENT LIABILITIES

Company 1987 NIL (1986: \$60,000)
Group 1987 NIL (1986: NIL)

3.20 POST BALANCE SHEET EVENTS

On 3 March 1988 Rutland Trust completed the acquisition of London & Edinburgh Trust's 87.7 per cent interest in Property Enterprise Managers Limited, established by the issue of 10,147,761 shares. Details of the acquisition were given in the circular dated 18 August 1987.

Report of the Auditors

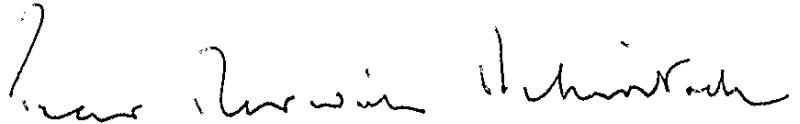
Report of the auditors to the members of Rutland Trust PLC

We have audited the accounts on pages 10 to 23 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1987, and of the profit and source and application of funds of the group for the year to that date and have been properly prepared in accordance with the Companies Act 1985

Peat Marwick McLintock
Chartered Accountants
London

21 March 1988



Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of the company will be held at The Hyde Park Hotel, Knightsbridge, London on Friday, 22 April 1988 at 12 noon for the following purposes:

- 1 To receive and adopt the accounts for the year ended 31 December 1987 and the reports of the directors and auditors thereon.
- 2 To re-elect as a director Mr W G Best
- 3 To re-elect as a director Mr B J M Dally, who retires by rotation and being eligible offers himself for re-election
- 4 To reappoint Peat Marwick McLintock as auditors and to authorise the directors to fix their remuneration
- 5 To fix the directors' emoluments.
- 6 To declare a dividend on the ordinary shares.

SPECIAL BUSINESS

To consider and if thought fit pass the following Resolutions.

Ordinary Resolution

- 7 That the directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to allot relevant securities (as defined by that Section) up to an aggregate maximum nominal amount equal to the authorised but unissued share capital of the company immediately following the passing of this Resolution. This authority shall expire on 22 April 1989 but may previously be revoked or varied by the company in general meeting. The company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement.

Special Resolution

- 8 That during the period from the passing of this Resolution until the end of the Annual General Meeting of the company to be held in 1989 or any adjournment thereof, the directors be and they are hereby empowered to make allotments of equity securities (within the meaning of Section 94(2) of the Companies Act (1985) pursuant to the general authority conferred by Resolution 7 above as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided always that the power hereby confirmed shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable having regard to the interests of the company as a whole) to the respective numbers of equity securities held by or attributable to them on the record date for such allotment; and
 - (b) to the allotment of equity securities pursuant to the Rules of the Rutland Trust PLC Executive Share Option Scheme in force from time to time; and
 - (c) to the allotment of equity securities (otherwise than in pursuance of sub-paragraph (a) above) up to an aggregate nominal value of \$75,000;

and subject as aforesaid the directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which will or might require equity securities to be allotted after the expiry of such power."

By Order of the Board

Mr Douglas

Secretary

28 March 1988

Notes

- 1 Any member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and such proxy need not be a member. The instrument appointing a proxy must be deposited with the company's registrars not less than 48 hours before the time for holding the meeting.
- 2 The register of director's interests kept by the company in accordance with section 236 of the Companies Act 1985 will be open for inspection at the Annual General Meeting.
- 3 Copies of the contracts of the directors with the company and of its subsidiaries not expired or due to expire within one year will be available for inspection at 180 Piccadilly Street, London W1A 1ST from 28 March to 22 April 1988 and at the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Form of Proxy— Annual General Meeting

I We the undersigned being (a) member(s) of Rutland Trust PLC hereby appoint the Chairman of the meeting or

of _____

as my our proxy to vote for me us and on my our behalf at the Annual General Meeting of the company to be held on 22 April 1988 and at any adjournment thereof.

	For	Against
1. To receive and adopt the accounts for the year ended 31 December 1987 and the reports of the directors and auditors hereon		
2. To re-elect the following director -- W G Best		
3. To re-elect the following director -- B J M Dally		
4. To reappoint Peat Marwick McLintock as auditors and to authorise the directors to fix their remuneration		
5. To fix the directors' emoluments		
6. To declare a dividend on the ordinary shares		
Special Business:		
Ordinary Resolution		
7. To authorise the directors to allot shares		
Special Resolution		
8. To authorise the directors to disapply S89 of the Companies Act 1985		

Please indicate how you wish your proxy to vote with a tick in the appropriate box opposite the resolution. If no indication is given your proxy will be deemed to have the authority to vote or abstain at his discretion

Dated _____ 1988 Signed _____

Name and address
(in block capitals)

Notes

1. To be valid this form of proxy should be deposited at the office of the company's registrars Hill Samuel Registrars Limited, 5 Greencoat Place, London SW1P 1YU not less than 48 hours before the time of the meeting
2. In the case of a corporation this form should be completed under its common seal or under the hand of an officer or attorney duly appointed
3. In the case of joint holders the signature of any one of them will suffice, but the names of all holders must be shown.
4. If you desire to appoint a proxy other than the chairman of the meeting, insert his/her name and address and delete the chairman of the meeting

Shares held _____