

SCHRODER ASSEILY & CO. LIMITED

Registered Number: 1562433

ACCOUNTS - 31ST DECEMBER 1996



SCHRODER ASSEILY & CO. LIMITED

REPORT OF THE DIRECTORS

Principal Activity

1. Schroder Asseily & Co. Limited provides investment management and financial services to private individuals and to Middle Eastern clients of the Schroder Group. It also acts as the Middle East representative in the United Kingdom and Continental Europe of other Schroder Group companies. The Company is regulated by the Investment Management Regulatory Organisation Limited (IMRO).

Results and Business Review

2. The results for the year are shown on page 4. The Directors consider the Company's financial position at 31st December 1996 to be satisfactory; they expect that the Company will trade profitably during the present year.

Dividends

3. The Directors do not recommend the payment of a dividend.

Directors and Directors' Interests

4. The names of the Directors as at 31st December 1996 are shown below. Mr R.R. Foulkes and Mr R.W.A. Swannell were appointed Directors with effect from 24th June 1996. Mr B.P. Winder was appointed a Director with effect from 11th November 1996. Mr G.K.Kardouche retired as a Director with effect from 29th September 1996.
At 31st December 1996 and 1st January 1996 (or date of appointment if later) the Directors had the beneficial interests shown below in the shares of Schroders Public Limited Company and in options over non-voting ordinary shares.

	<u>31st December 1996</u>			<u>1st January 1996 *</u>		
	Ordinary shares	Non-voting ordinary shares	Options over non-voting ordinary shares	Ordinary shares	Non-voting ordinary shares	Options over non-voting ordinary shares
Sir Leslie F. Murphy (Chairman)	7,656	6,264	-	7,656	6,264	-
S.J. Ali	-	-	-	-	-	-
Dr. A.N. Asseily	-	-	-	-	-	-
G.E. Asseily	-	-	-	-	-	-
R.R. Foulkes	-	79,665	30,000	-	79,665	30,000
J. V. Furniss	-	-	-	-	-	-
G.W. Mallinckrodt, K.B.E.	121,464	32,586	480,000	121,464	32,586	660,000
Sir Alan Munro, K.C.M.G.	-	-	-	-	-	-
R.W.A. Swannell	-	9,050	60,000	-	9,050	60,000
B.P. Winder	-	-	-	-	-	-

* or date of appointment if later.

During the year, Mr G.W. Mallinckrodt exercised an option over 180,000 non voting shares in Schroders Public Limited Company. At 31st December 1996 Mr G.W. Mallinckrodt was treated for the purposes of the Companies Act 1985 as having an interest in a further 822,879 ordinary shares (1st January 1996 : 822,879) and 122,916 non-voting ordinary shares (1st January 1996 : 122,916).

At 31st December 1996 Dr A.N. Asseily and Mr G.E. Asseily each owned beneficially 350,000 shares in J. Henry Schroder & Co. S.A.L. (1st January 1996: 350 shares).

No Director held any other interest in shares in or debentures of either Schroders Public Limited Company or any of its subsidiary companies.

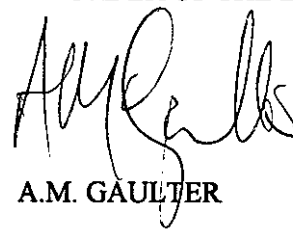
SCHRODER ASSEILY & CO. LIMITED**REPORT OF THE DIRECTORS (cont'd)**Creditor payment policy

5. The Company's normal practice is to agree the terms of payment with suppliers at the time of contract and to make payment within the agreed credit term subject to satisfactory performance.

Auditors

6. Resolutions will be proposed at the Annual General Meeting to reappoint the Auditors, Coopers & Lybrand, and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD



A.M. GAULTER

SECRETARY

LONDON 26 FEBRUARY 1997

SCHRODER ASSEILY & CO. LIMITED**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors have responsibility for ensuring that the Company keeps adequate accounting records. They are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results for the year. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors remain satisfied that the Company has adequate resources to continue in business and accordingly that the accounts should be drawn up on a going concern basis. Further, appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these financial statements, and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

**REPORT OF THE AUDITORS TO THE MEMBERS
OF SCHRODER ASSEILY & CO. LIMITED**

We have audited the financial statements set out on pages 4 to 11.

Respective responsibilities of Directors and Auditors

As described above, the 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 statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider 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 accounts give a true and fair view of the state of affairs of the Company at 31st December 1996 and of the loss and cash flows of the Company for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand

Chartered Accountants and Registered Auditors
London

February, 1997

SCHRODER ASSEILY & CO. LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1996**

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	2,195,370	2,112,612
ADMINISTRATION EXPENSES	3	(2,464,245)	(2,419,197)
OPERATING LOSS		(268,875)	(306,585)
INCOME FROM FIXED ASSET INVESTMENTS		-	345,269
INTEREST RECEIVABLE			
Fellow subsidiary undertakings		14,404	10,794
Other		-	1,737
		14,404	12,531
AMOUNTS WRITTEN OFF INVESTMENTS	7(b)	(2,499)	(10,001)
INTEREST PAYABLE			
Fellow subsidiary undertakings		(14)	(22)
Other		(4)	(27)
		(18)	(49)
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		(256,988)	41,165
TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES	4	70,839	(29,073)
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAX		(186,149)	12,092
RETAINED PROFIT BROUGHT FORWARD		134,738	122,646
RETAINED PROFIT (LOSS) CARRIED FORWARD		<u>(£51,411)</u>	<u>£134,738</u>

The results above are all in respect of continuing operations of the Company.

There is no difference between the loss on ordinary activities before tax and the loss retained by the Company for the financial year stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

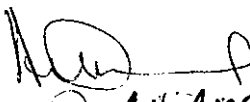
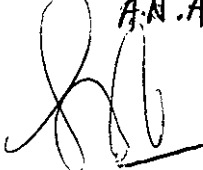
Notes to the accounts - pages 7 to 11.

Report of the Auditors - page 3.

SCHRODER ASSEILY & CO. LIMITED

BALANCE SHEET - 31ST DECEMBER 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible fixed assets	7(a)	69,150	106,158
INVESTMENTS			
Unlisted investments	7(b)	33,896	47,387
		<u>103,046</u>	<u>153,545</u>
CURRENT ASSETS			
Debtors			
Amounts due from fellow subsidiary undertakings		230,598	116,507
Trade debtors		48,883	35,215
Sundry debtors		62,744	13,367
Prepayments and accrued income		125,192	104,051
Deferred tax	8	56,293	29,603
		523,710	298,743
Cash at bank and in hand			
Fellow subsidiary undertakings		412,501	798,930
Other balances		3,546	5,559
		416,047	804,489
		<u>939,757</u>	<u>1,103,232</u>
		<u>£1,042,803</u>	<u>£1,256,777</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,011,500	1,011,500
Profit and loss account		(51,411)	134,738
Equity shareholders' funds		<u>960,089</u>	<u>1,146,238</u>
CREDITORS: Amounts falling due within one year			
Trade creditors		21,615	37,860
Fellow subsidiary undertakings		5,041	13,321
Corporation tax		-	16,098
Accruals and deferred income		43,548	43,260
Overdrafts payable to fellow subsidiary undertakings		12,510	-
		82,714	110,539
		<u>£1,042,803</u>	<u>£1,256,777</u>


A.N. ASSEILY


} DIRECTORS

Notes to the accounts - pages 7 to 11.

Report of the Auditors - page 3.

S.E. ASSEILY
26 February 1997

SCHRODER ASSEILY & CO. LIMITED

**CASH FLOW STATEMENT
FOR YEAR ENDED 31ST DECEMBER 1996**

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	10(a)	<u>(408,832)</u>	<u>47,347</u>
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		14,404	12,531
Interest paid		(18)	(49)
Capital distributions from fixed asset investments		-	310,364
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>14,386</u>	<u>322,846</u>
TAX			
UK corporation tax paid		<u>(20,466)</u>	<u>(36,612)</u>
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(2,032)	(41,888)
Sale of tangible fixed assets		5,000	16,096
Sale (purchase) of fixed asset investments		10,992	(10,992)
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		<u>13,960</u>	<u>(36,784)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10(b)	<u>£ (400,952)</u>	<u>£ 296,797</u>

Notes to the accounts - pages 7 to 11.

Report of the Auditors - page 3.

SCHRODER ASSEILY & CO. LIMITED

NOTES TO THE ACCOUNTS

1. Accounting Policies

- (a) These accounts have been prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom.
- (b) Fee income is credited to the profit and loss account when due. Provision is made against debtors for fee income where recovery is considered doubtful.
- (c) Income distributions from investments in venture capital funds are credited to the profit and loss account when due and payable; capital distributions are credited against the cost of the investment with any excess over cost credited to the profit and loss account.
- (d) Tangible fixed assets are depreciated over their estimated useful lives on a straight line basis at rates varying between 20% and 33%.
- (e) Deferred tax is provided to take account of the short term timing differences in the tax and accounting treatment of certain items which are expected to reverse in the foreseeable future.
- (f) The Company operates a defined contribution pension scheme. The costs are charged to the profit and loss account in the year in which they are incurred.
- (g) Current assets and current liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions during the year expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Exchange translation differences are taken to the profit and loss account.

2. Turnover

The Company provides comprehensive investment management and financial services to private individuals and to Middle Eastern clients of the Schroder Group from its office in the United Kingdom.

The turnover for the year comprised:

	1996	1995
	£	£
Advisory fees:		
Fellow subsidiary undertaking	919,723	458,183
Other	468,343	799,256
Placing commission	130,729	251,905
Other income and fees	676,575	603,268
	<u>£2,195,370</u>	<u>£2,112,612</u>

Other income and fees includes profit on disposal of fixed assets of £5,000 (1995:£6,018).

3. Administration Expenses

Administration expenses include depreciation of £39,040 (1995:£44,657), auditors' remuneration for audit of £4,325 (1995: £3,525), other professional fees paid to the Company's auditors £3,534 (1995: £2,846) and operating lease rentals in respect of land and buildings of £225,000 (1995: £225,000).

SCHRODER ASSEILY & CO. LIMITED

NOTES TO THE ACCOUNTS (cont'd).

4. Tax on Profit (Loss) on Ordinary Activities

Tax credit (charge) on profit (loss) on ordinary activities comprised:

	<u>1996</u>	<u>1995</u>
	£	£
Corporation tax	47,199	(16,146)
Deferred tax	26,690	(4,375)
Foreign tax	(3,050)	(2,950)
Tax on franked income	-	(5,602)
	<u>£70,839</u>	<u>(£29,073)</u>

The charge for corporation tax in 1996 has been calculated at 33% (1995: 33%); deferred tax has been calculated at 33% (1995: 33%).

5. Directors' Emoluments

(a) The emoluments paid to the Directors in the year to 31st December 1996 amounted to £444,914 (1995: £599,334). The emoluments of the highest paid Director, excluding pension contributions, were £109,386 (1995: £107,272) and those of the chairman £Nil (1995: £Nil).

(b) Particulars of Directors' emoluments excluding pension contributions are set out below:

	<u>1996</u>	<u>1995</u>
£0 - £5,000	4	2
£10,001 - £15,000	1	-
£20,001 - £25,000	1	1
£60,001 - £65,000	1	-
£65,001 - £70,000	-	1
£80,001 - £85,000	-	3
£85,001 - £90,000	2	-
£95,001 - £100,000	-	1
£100,001 - £105,000	1	-
£105,001 - £110,000	1	1

6. Employee Information

(a) The average number of staff, including executive Directors, employed by the Company during the year was 31 (1995: 31).

(b) Employment costs of employees and executive Directors during the year amounted to:

	<u>1996</u>	<u>1995</u>
	£	£
Wages and salaries	1,258,710	1,250,313
Social security costs	133,406	121,391
Pension costs	143,163	137,326
	<u>£1,535,279</u>	<u>£1,509,030</u>

SCHRODER ASSEILY & CO. LIMITED

NOTES TO THE ACCOUNTS (cont'd).

7. Fixed Assets

(a) Movements in tangible fixed assets comprised:

	<u>Furniture, Fittings and Office Machinery</u>	<u>Motor Vehicles</u>	<u>Computer Hardware</u>	<u>Total</u>
	£	£	£	£
Cost				
At 31st December 1995	248,584	138,406	136,416	523,406
Additions	0	0	2,032	2,032
Disposals	0	(19,249)	0	(19,249)
At 31st December 1996	<u>£248,584</u>	<u>£119,157</u>	<u>£138,448</u>	<u>£506,189</u>
Depreciation				
At 31st December 1995	(232,157)	(63,760)	(121,331)	(417,248)
Charge for the year	(6,267)	(23,451)	(9,322)	(39,040)
Disposals	0	19,249	0	19,249
At 31st December 1996	<u>(£238,424)</u>	<u>(£67,962)</u>	<u>(£130,653)</u>	<u>(£437,039)</u>
Net book value				
At 31st December 1996	<u>£10,160</u>	<u>£51,195</u>	<u>£7,795</u>	<u>£69,150</u>
At 31st December 1995	<u>£16,427</u>	<u>£74,646</u>	<u>£15,085</u>	<u>£106,158</u>

(b) Movements in unlisted investments comprised:

Net book value	£
At 31st December 1995	47,387
Investments realised in the year	(10,992)
Amounts written off in the year	(2,499)
At 31st December 1996	<u>£33,896</u>
 Directors' valuation at 31st December 1996	 <u>£52,555</u>
 Directors' valuation at 31st December 1995	 <u>£54,112</u>

The following information relates to significant holdings of shares held on 31st December 1996:

<u>Name of Company</u>	<u>Description of shares</u>	<u>Percentage of nominal value of issued shares held of this class</u>
		%
Picardy Properties Ltd.	£1,000 A-Ordinary shares	2
	£1 B-Ordinary shares	70
	£1,000 Redeemable preference shares	2

Picardy Properties Ltd. is a property dealing company registered in England and operating principally in France.

SCHRODER ASSEILY & CO. LIMITED

NOTES TO THE ACCOUNTS (cont'd).

8. Deferred Tax Asset

The movement on deferred tax comprised:

	1996
	£
At 31st December 1995	29,603
Transfer from (to) profit and loss account	26,690
At 31st December 1996	<u>£56,293</u>

9. Called up Share Capital

	<u>Authorised</u>		<u>Allotted and called up</u>	
	1996	1995	1996	1995
	£	£	£	£
Authorised, allotted and called up:				
Ordinary shares of £1 each, fully paid	14,000	14,000	14,000	14,000
Ordinary Shares of £1 each, 25p paid	3,990,000	3,990,000	997,500	997,500
	<u>£4,004,000</u>	<u>£4,004,000</u>	<u>£1,011,500</u>	<u>£1,011,500</u>

10. Cash Flow Statement

(a) Reconciliation of (loss) profit on ordinary activities before tax to net cash inflow from trading activities before tax

	1996	1995
	£	£
Loss on ordinary activities before tax	(268,875)	(306,585)
Administration expenses and tax withheld from distributions	1,168	34,904
Movements in prepayments and accrued income	(21,141)	298,356
Movements in debtors	(129,787)	45,069
Movements in creditors	(24,525)	(41,722)
Movements in accruals and deferred income	288	(21,314)
Depreciation	39,040	44,657
Profit on sale of tangible fixed assets	(5,000)	(6,018)
Net cash inflow (outflow) from trading activities before tax	<u>(£408,832)</u>	<u>£47,347</u>

(b) Analysis of cash shown in the balance sheet

Balance at 1st January	804,489	507,692
Net cash (outflow) inflow	(400,952)	296,797
Balance at 31st December	<u>£403,537</u>	<u>£804,489</u>
Comprising:		
Cash at bank and in hand	416,047	804,489
Bank overdrafts	(12,510)	-
	<u>£403,537</u>	<u>£804,489</u>

SCHRODER ASSEILY & CO. LIMITED

NOTES TO THE ACCOUNTS (cont'd).

11. Commitments and Contingent Liabilities

- (a) The Company is contracted to make payments under an operating lease during 1997 in respect of land and buildings amounting to £225,000. The termination date of the lease exceeds five years from 31st December 1996.
- (b) If unlisted investments had been realised at Directors' valuation on 31st December 1996 a tax liability would have arisen of an estimated amount of £6,157 (1995: £2,219), for which no provision has been made.

12. Transactions with Related Parties

Schroders Public Limited Company owns 65% of the equity of the Company and Asseily Freres Inc. owns 35% of the equity of the Company.

The Company had the following transactions with other wholly owned subsidiaries of Schroders Public Limited Company:

Revenues of £405,965.

Balances due from them of £404,453, including a balance at a bank of £399,991.

Balances due to them of £5,041.

The Company had the following transactions with other subsidiaries owned jointly by Schroders Public Limited Company and associates of Asseily Freres Inc.:

Revenues of £919,723.

Balances due from them of £161,437.

The minority shareholders had no material transactions with the company.

13. Ultimate Parent Company

The Company's immediate parent undertaking is Schroder International Holdings Limited whose ultimate parent company is Schroders Public Limited Company, both of which are registered in England.

The results of the Company are consolidated in the group accounts of Schroders Public Limited Company, copies of which will be obtainable on publication from Schroders Public Limited Company, 120 Cheapside, London EC2V 6DS.