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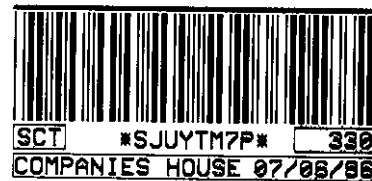
Dunedin Ventures Ltd

Report and Accounts

29 February 1996

ERNST & YOUNG

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DIRECTORS' REPORT

The directors present their report and accounts for the year ended 29 February 1996.

RESULTS

In the previous accounting period the company changed its accounting reference date from 31 January to 28 February. All comparative figures are for the 13 months to 28 February 1995.

The profit and loss account for the year is set out on page 6.

REVIEW OF ACTIVITIES

The company specialises in the management of unquoted investments. The level of business in the year was satisfactory and this is expected to continue for the foreseeable future.

DIVIDEND

The directors paid an interim dividend of £9,000 per ordinary share in respect of the year ended 29 February 1996.

DIRECTORS

The directors of the company at 29 February 1996 were as follows:-

Mr S E C Miller (Chairman)
Miss H Bagan (appointed 18 January 1996)
Mr B Finlayson
Mr J E Jeffrey
Mr R Marshall
Mr R D Muckart (appointed 18 January 1996)
Mr C R Thomson

In accordance with the Articles of Association none of the directors retires by rotation.

Mr A S Kemp resigned as a director on 30 October 1995. Mr I H Leslie Melville resigned as a director on 31 December 1995. Mr A N Pirie resigned as a director on 31 December 1995.

In addition, Mr C R Thomson resigned as a director on 31 March 1996.

DIRECTORS' INTERESTS

No director has any direct interest in the share capital of the company or other group companies.

The interests of Mr R D Muckart in the stock of Bank of Scotland are disclosed in the accounts of Dunedin Fund Managers Limited.

Mr S E C Miller, Miss H Bagan, Mr R Marshall and Mr C R Thomson do not have any interest in the stock of Bank of Scotland.

The interests of the other directors in the stock of Bank of Scotland were as follows:-

	<i>Ordinary stock</i>	
	<i>29 February 1996</i>	<i>28 February 1995</i>
B Finlayson	32,865	32,865
J E Jeffrey	22,211	23,287

DIRECTORS' REPORT

DIRECTORS' INTERESTS

(continued)

Options to subscribe for Ordinary Stock of the Bank of Scotland were granted to or exercised by Directors during the period to 29 February 1996 as follows:-

	<i>Executive Stock Options</i>			<i>Date options exerciseable</i>
	<i>Options held as at 28 February 1995</i>	<i>Options held as at 29 February 1996</i>	<i>Closing weighted average exercise price (p)</i>	
B Finlayson	7,540	7,540	84.33p	1996-1999

No options were granted, exercised or lapsed during the period. The exercise price for options granted under the Executive Stock Options Scheme is the market price at the date of grant without deduction of any discount.

	<i>Savings Related Stock Options</i>					<i>Date options exerciseable</i>
	<i>Options held as at 28 February 1995</i>	<i>Options exercised</i>	<i>Options held as at 29 February 1996</i>	<i>Closing weighted average exercise price (p)</i>	<i>Market price at date of exercise</i>	
B Finlayson	1,095	-	1,095	51.08p	-	1996
J E Jeffrey	3,441	3,441	-	-	199.5	-

No options were granted or lapsed during the period. The exercise price for options granted under the Savings Related Stock Options Scheme is 80% of the market price of the date of grant.

The market price of the shares at 29 February 1996 was 276.5p and the range during the year was 196.5p to 312.0p.

AUDITORS

Ernst & Young is not seeking re-appointment as auditors of the company. A resolution proposing the appointment of KPMG Audit Plc will be submitted to the shareholders at the Annual General Meeting.

By order of the Board

Claire F. Monahan

Secretary
Edinburgh

10 April 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

REPORT OF THE AUDITORS
to the members of Dunedin Ventures Limited

We have audited the accounts on pages 6 to 10, which have been prepared under the historical cost convention on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

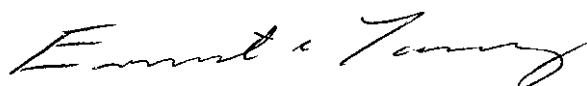
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 29 February 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Edinburgh

10 April 1996

Dunedin Ventures Limited

PROFIT AND LOSS ACCOUNT

for the year ended 29 February 1996

	<i>Notes</i>	<i>1996</i>	<i>1995</i>
	<i>£</i>	<i>£</i>	<i>£</i>
TURNOVER	1	1,387,921	1,009,188
Less:			
Administrative expenses		872,379	770,155
OPERATING PROFIT		515,542	239,033
Bank interest receivable		85,843	57,509
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	601,385	296,542
Tax on profit on ordinary activities	4	198,457	97,860
PROFIT FOR THE FINANCIAL YEAR		402,928	198,682
Dividend on equity shares	5	900,000	-
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR		(497,072)	198,682
RETAINED PROFITS AT 1 MARCH 1995		774,693	576,011
Transfer for the year		(497,072)	198,682
RETAINED PROFITS AT 29 FEBRUARY 1996		277,621	774,693

All gains and losses arising during the year have been recognised in the profit and loss account and derive from continuing operations of the company.

Dunedin Ventures Limited

BALANCE SHEET

at 29 February 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Unlisted investments	6	15,075	15,075
CURRENT ASSETS			
Debtors	7	711,923	907,932
CREDITORS: amounts falling due within one year	8	449,277	148,214
NET CURRENT ASSETS		<u>262,646</u>	<u>759,718</u>
		<u>277,721</u>	<u>774,793</u>
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account		<u>277,621</u>	<u>774,693</u>
Equity shareholders' funds		<u>277,721</u>	<u>774,793</u>

Approved by the board on 10 April 1996

As Huh

Director

NOTES TO THE ACCOUNTS

at 29 February 1996

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards and statements of recommended practice.

Taxation

The charge for taxation takes into account the timing differences in the accounting and taxation treatment of certain items to the extent that they are expected to reverse in the future.

Deferred taxation is provided on the liability method and takes into account recoverable Advance Corporation Tax.

Turnover

Turnover represents fee income for investment management services all of which arises in the United Kingdom.

2. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:-

	1996	1995
	£	£
Management charge payable to group company	857,633	765,849

3. DIRECTORS' REMUNERATION AND STAFF COSTS

The emoluments of the directors who are also directors of Dunedin Fund Managers Limited or DFM Holdings Limited are disclosed in the accounts of the relevant company. The emoluments of the other directors were as follows:-

	1996	1995
	£	£
Fees	-	-
Other emoluments (including pension contributions)	396,786	276,759
	396,786	276,759

The emoluments of the Chairman were £82,250 (1995 : £27,073).

The emoluments of the highest paid director are disclosed in the accounts of DFM Holdings Limited.

The emoluments (excluding pension contributions) of the directors who are not also directors of DFM Holdings Limited or Dunedin Fund Managers Limited, fell within the following ranges:

	1996	1995
	No.	No.
£ 5,001 - £ 10,000	1	-
£20,001 - £ 25,000	-	1
£25,001 - £ 30,000	-	1
£30,001 - £ 35,000	-	1
£35,001 - £ 40,000	1	-
£70,001 - £ 75,000	1	-
£75,001 - £ 80,000	1	1
£80,001 - £ 85,000	1	-
£95,001 - £100,000	1	1

The emoluments of Mr C R Thomson are disclosed in the accounts of Dunedin Pension Fund Managers Limited.

Dunedin Ventures Limited

NOTES TO THE ACCOUNTS

at 29 February 1996

3. DIRECTORS' REMUNERATION AND STAFF COSTS

(continued)

Staff costs are disclosed in the accounts of Dunedin Fund Managers Limited since all the staff are employees of that company. Dunedin Ventures Limited is charged in the form of a management charge for their share of staff costs.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996	1995
	£	£
United Kingdom corporation tax based on the profit for year at 33% (1995: 33%)	198,457	97,860

5. DIVIDEND

	1996	1995
	£	£
Ordinary interim dividend paid of £9,000 per share	900,000	-

6. UNLISTED INVESTMENT

The company holds an investment of £15,075 (1995 : £15,075) in Latchways Limited. This is stated at cost.

7. DEBTORS

	1996	1995
	£	£
Due from parent company	684,558	771,283
Trade debtors	17,183	27,049
Prepayments and accrued income	10,182	109,600
	711,923	907,932

8. CREDITORS

	1996	1995
	£	£
Trade creditors	9,168	4,167
Due to ultimate parent company	51,433	46,127
Corporation tax	198,457	97,860
Accruals & deferred income	190,219	60
	449,277	148,214

Dunedin Ventures Limited

NOTES TO THE ACCOUNTS

at 29 February 1996

9. CALLED UP SHARE CAPITAL

	1996	1995
	£	£
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

10. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	1996	1995
	£	£
At 28 February 1995	774,793	576,111
(Loss)/profit for the year	(497,072)	198,682
At 29 February 1996	<u>277,721</u>	<u>774,793</u>

11. PARENT UNDERTAKINGS

The parent undertaking in whose accounts the company is first consolidated is DFM Holdings Limited, registered in Scotland. Copies of DFM Holdings Limited's accounts can be obtained from Donaldson House, 97 Haymarket Terrace, Edinburgh, EH12 5HD.

The largest group into which the accounts of the company are consolidated is the Governor and Company of the Bank of Scotland, constituted by Act of the Scots Parliament in 1695. Copies of its annual report and Accounts can be obtained from its Head Office at The Mound, Edinburgh.

It was announced on 16 February 1996 that the shareholders of DFM Holdings Limited had executed an agreement, subject to the satisfaction of certain conditions precedent, to dispose of the entire share capital of DFM Holdings Limited to Edinburgh Fund Managers Group plc. These conditions precedent were satisfied and consequently Edinburgh Fund Managers Group plc is now considered to be the ultimate parent undertaking.