

Aitken Campbell & Company Limited

Annual Report for the year ended 31 December 1996

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Directors' report

The directors herewith present their report and the financial statements for the year ended 31 December 1996. The comparative figures are for the year ended 29 December 1995.

Activities

There was no significant change during the year in the principal activities of the company which consisted of market making in United Kingdom equities and new issues.

Results and transfers to reserves

The profit and loss account for the year is set out on page 4. The directors do not recommend the payment of a final dividend. The loss for the year after taxation and dividends, amounting to £642,000 (1995: loss of £629,000) has reduced the surplus on reserves.

Financing

The company has renewed an unsecured subordinated loan of £500,000 from Union plc (see note 13).

A further loan of £1,000,000 has also been received from Union plc.

Directors

The directors who held office during the year were:

David J Bowes-Lyon	(resigned 13 June 1996)
Geoffrey W Cossey	
Archibald C McSporran	
Andrew Palfreman	(resigned 21 November 1996)
Ian J Martin	(resigned 27 March 1997)

Ian J Martin was also a director of the ultimate holding company until 27 March 1997 and his interests in its share capital are disclosed in that company's directors' report.

Archibald C McSporran had the following interests in share options over the share capital of the ultimate parent company at 29 December 1995 and 31 December 1996:

Number	Exercise price	Date from which exercisable	Expiry Date
10,360	167p	14 March 1994	14 March 2004
17,250	100p	1 October 1994	1 October 1999

Post balance sheet event

On 7 March 1997 the parent undertaking, Union plc, announced its intention to sell Aitken Campbell & Company Limited. This sale has not yet taken place.

**Statement of directors' responsibilities
in respect of the financial statements**

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the year and of the profit or loss for the year.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed and the financial statements have been prepared on the going concern basis.

The directors are responsible for maintaining adequate accounting records, which enable them to ensure that they comply with the Companies Act 1985, for safeguarding the assets of the company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



Valentine G C Steadman
Secretary

Registered Office
7 Nelson Mandela Place
GLASGOW
G2 1BY

4 April 1997

**Report of the auditors to the members of
Aitken Campbell & Company Limited**

We have audited the financial statements on pages 4 to 15.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

4 April 1997

Profit and loss account for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
Net dealing profit		2,066	2,367
Dividend received from subsidiary undertaking		570	-
Operating expenses		(2,689)	(2,940)
		<hr/>	<hr/>
(Loss) on ordinary activities before taxation	2	(53)	(573)
Tax charge on loss on ordinary activities	5	19	56
		<hr/>	<hr/>
(Loss) on ordinary activities after taxation		(72)	(629)
Dividends	6	(570)	-
		<hr/>	<hr/>
(Loss) for the financial year	11	(642)	(629)
		<hr/>	<hr/>

The results of the company relate solely to continuing operations.

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

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

The notes on pages 6 to 15 form an integral part of the financial statements.

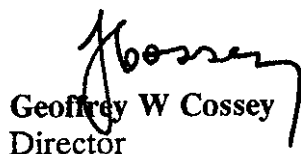
Balance sheet at 31 December 1996

	Notes	1996 £'000	1995 £'000
Assets			
Fixed assets			
Tangible fixed assets	7	335	288
Investments in subsidiaries	8	300	300
Current assets			
Long positions in securities		2,382	3,250
Debtors	9	24,615	16,003
Cash at bank		485	14
		<u>28,117</u>	<u>19,855</u>
Liabilities			
Capital and reserves			
Called up share capital	10	118	118
Share premium account	11	1,046	1,046
Profit and loss account	11	108	750
Equity shareholders' funds	12	<u>1,272</u>	<u>1,914</u>
Creditors: amounts falling due after more than one year	13	500	500
Creditors: amounts falling due within one year	14	24,333	16,271
Provisions for liabilities and charges	15	-	-
Other current liabilities			
Short positions in securities		2,012	1,170
		<u>28,117</u>	<u>19,855</u>

The financial statements on pages 4 to 15 were approved by the board of directors on 4th April 1997 and were signed on its behalf by:



Archibald C McSporran
Director



Geoffrey W Cossey
Director

Notes to the financial statements for the year ended 31 December 1996

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where they have not been applied consistently.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis of accounting.

In order to present a true and fair view of the state of affairs and the results of the company, the directors believe that the following departures from the accounting and disclosure requirements of the Companies Act 1985 are appropriate to reflect the special nature of the securities dealing business:

- (i) turnover and cost of sales do not have any meaningful equivalents in a securities dealing business and are not therefore disclosed in the profit and loss account. Net dealing profit is disclosed on the face of the profit and loss account;
- (ii) net dealing profit includes the net profit arising from both buying and selling securities and positions held in securities;
- (iii) interest and dividends arising on long and short positions in securities form part of the net dealing profit and, because they are reflected in the valuation of these positions, are not therefore identified separately; and
- (iv) interest arising from stock borrowing forms part of the net dealing profit.

Financial year end

The financial year end of the company is the last day of dealing on the London Stock Exchange on or before 31 December.

Long and short positions in securities

The terms "long" and "short" represent the aggregate of trading positions in individual securities arising respectively from a net bought and net sold position. Long and short positions in securities are valued at the London Stock Exchange's quoted best bid and offer prices respectively at the close of business on the balance sheet date.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost, less estimated residual values, over the useful economic lives of the assets concerned.

Depreciation is provided on a straight line basis at the following rates:

	%
Office equipment and fittings	10
Computer equipment	33 1/3

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided, under the liability method, on all timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for permanent diminution in value.

Related parties

The company's share capital is wholly owned by Union plc, and the company has therefore taken advantage of the exemption under Financial Reporting Standard No 8 not to disclose any transaction with entities which are part of the group.

Pensions

Retirement benefits are provided by a money purchase pension scheme which is funded by contributions from the company and employees. The company's share of these contributions is charged against the results of the year in which it becomes payable. The scheme is a defined contribution scheme operated by the ultimate parent company.

2 (Loss) on ordinary activities before taxation

(Loss) on ordinary activities before taxation is stated after charging the following amounts inclusive of irrecoverable VAT:

	1996 £'000	1995 £'000
Staff costs	701	762
Auditors' remuneration		
- for audit services	18	19
- for non-audit services	-	-
Depreciation	231	195
Management charge to other group companies	214	492
Amounts payable under operating leases		
- plant and machinery	15	15
- other	50	50
Interest payable on loans repayable within 5 years		
- to banks	4	9
	<u> </u>	<u> </u>

and after crediting:

Management charge from subsidiary, Aitken Campbell (Gilts) Ltd	124	387
Dividend income within net dealing profit	9	10
	<u> </u>	<u> </u>

3 Directors' emoluments

	1996 £	1995 £
Fees	4,406	625
Other emoluments (including pension contributions and benefits in kind)	263,092	398,663
Compensation for loss of office	60,000	-
	<u>327,498</u>	<u>399,288</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	<u>4,406</u>	<u>625</u>
The highest paid director	<u>138,713</u>	<u>84,469</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1996 Number	1995 Number
£0 to £5,000	2	3
£80,001 to £85,000	1	1
£85,001 to £90,000	1	
£95,001 to £100,000	-	2
£120,001 to £125,000	-	1
£135,001 to £140,000	1	-
	<u> </u>	<u> </u>

Geoffrey W Cossey is paid by the parent company, Union plc, as an employee of the group but an element of his salary is recharged to Aitken Campbell & Company Limited for his services as a director. Therefore only a proportion of his salary costs have been included within the above salary and wages costs and within the directors' emoluments disclosure above.

Ian J Martin, also a director of the parent company, has been paid by that company and the group does not have a basis for allocating his salary between group companies.

Related party transactions

By virtue of their directorship of Union plc, GW Cossey and I J Martin have a direct interest in the management charges paid and payable to Union plc, amounting to £214,000 (1995: £492,000) as disclosed in Note 2.

Directors are permitted to effect transactions in securities through the company. The total amount of commission paid by the directors for such transactions undertaken in the year was £1,615.

4 Employee information

The average weekly number of persons (including all directors) employed by the company during the year was:

	1996 Number	1995 Number
Dealing and sales staff	16	20
Settlement and administration staff	11	13
	<u> </u>	<u> </u>
	27	33
	<u> </u>	<u> </u>

Staff costs including directors' emoluments, for the above staff were:

	1996 £'000	1995 £'000
Paid by Aitken Campbell & Co:		
Wages and salaries	638	686
Social security costs	44	76
Other pension costs	19	-
	<u>701</u>	<u>762</u>
 Paid by parent company:		
Wages and salaries	94	96
	<u>795</u>	<u>858</u>

5 Tax on loss on ordinary activities

	1996 £'000	1995 £'000
United Kingdom corporation tax at 33% (1995: 33%)		
Current		
Group relief (receivable)	-	(150)
Deferred	19	(26)
	<u>19</u>	<u>(176)</u>
 Underprovision in respect of prior years:		
Current		
Group relief payable	-	232
Deferred	-	-
	<u>19</u>	<u>56</u>
Total tax charge	<u>19</u>	<u>56</u>

6 Dividends

	1996 £	1995 £
Dividends on ordinary equity shares - interim paid of 48.485p per share (1995 : Nil)	570	-
	<u>570</u>	<u>-</u>

7 Tangible fixed assets

	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 29 December 1995	13	589	602
Additions	-	278	278
Disposals	—	—	—
At 31 December 1996	13	867	880
Depreciation			
At 29 December 1995	11	303	314
Charge	1	230	231
Disposals	—	—	—
At 31 December 1996	12	533	545
Net book value			
At 31 December 1996	1	334	335
	==	==	==
Net book value			
At 29 December 1995	2	286	288
	==	==	==

8 Investments in subsidiaries

The company has the following wholly owned subsidiaries which are incorporated in Great Britain and registered in Scotland:

Aitken Campbell (Gilts) Limited
A C (Nominees) Limited (a nominee company)

On 27 February 1996 Aitken Campbell (Gilts) Limited ceased trading as a market maker in United Kingdom Government Securities.

Under Section 228 of the Companies Act 1985 group accounts are not required, the company being a wholly owned subsidiary of another body corporate.

In the opinion of the directors, the value of the company's investment in its subsidiaries is not less than the amount at which these are included in the balance sheet.

9 Debtors

	1996 £'000	1995 £'000
Amounts falling due within one year		
Trade debtors	17,951	12,360
Deposits with money brokers against stock borrowed	6,555	3,371
Group relief receivable	-	190
Amounts owed by the subsidiary undertaking	51	34
Prepayments and other debtors	58	29
	<u>24,615</u>	<u>15,984</u>
Amounts falling due after more than one year		
Deferred tax asset (Note 15)	-	19
	<u>24,615</u>	<u>16,003</u>

10 Share capital

	1996 £'000	1995 £'000
Authorised, allotted, called up and fully paid: 1,175,000 ordinary shares of 10p each	<u>118</u>	<u>118</u>

11 Share premium account and reserves

	Share premium account £'000	Profit & loss account £'000
At 29 December 1995	1,046	750
(Loss) for the financial year	-	(642)
At 31 December 1996	<u>1,046</u>	<u>108</u>

12 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
(Loss) for the financial year	(642)	(629)
Opening shareholders' funds	<u>1,914</u>	<u>2,543</u>
Closing shareholders' funds	<u>1,272</u>	<u>1,914</u>

13 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Subordinated loan	<u>500</u>	<u>500</u>

The unsecured subordinated loan is from Union plc. It bears no interest and is repayable on 30 September 2000 with the prior consent of The Securities and Futures Authority Limited.

14 Creditors: amounts falling due within one year

	1996 Total £'000	1995 Total £'000
Bank overdraft	67	25
Secured borrowings from money brokers	100	900
Trade creditors	22,597	14,608
Other taxation and social security costs	18	53
Amounts owed to subsidiary undertaking	300	300
Amounts owed to other group companies	1,119	232
Accruals	132	153
	<u>24,333</u>	<u>16,271</u>

Bank borrowings and loans from money brokers are secured on securities owned by the company.

Included above for 1996 is a £1,000,000 loan received from Union plc which is repayable on demand and during the year bore interest at a rate of 5.25% per annum.

15 Provisions for liabilities and charges

	Deferred taxation £'000
At 29 December 1995	(19)
Profit and loss account	<u>19</u>
At 31 December 1996 (Note 9)	<u>-</u>

Deferred taxation provided in the financial statements is as follows:

	1996 £'000	1995 £'000
Tax effect of timing differences arising from:		
Excess of depreciation over capital allowances	-	(19)
	<u> </u>	<u> </u>

16 Pension commitments

The executive directors and some employees are members of the main Union plc group pension scheme.

17 Cash flow statement

A cash flow statement is not included in the financial statements because the company is a wholly owned subsidiary of Union plc, which has informed the company of its intention to prepare a consolidated cash flow statement, including the cash flows of the company, in its 1996 financial statements in accordance with Financial Reporting Standard No 1.

18 Contingent liabilities

In the ordinary course of business the company has given letters of indemnity in respect of lost certified stock transfer and share certificates. The contingent liability arising therefore cannot be quantified.

The Royal Bank of Scotland hold a letter of pledge by the company in respect of allotment letters given as temporary collateral.

The company is party to an Unlimited Inter Company Composite Guarantee effective between Aitken Campbell & Company Limited and Aitken Campbell (Gilts) Limited.

The company has issued a charge in favour of the London Stock Exchange to cover the company's trading account within SEPON and any other of its stock held by the Exchange.

19 Capital commitments

At 31 December 1996 the company had the following capital commitments.

	1996 £'000	1995 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	200
	<u> </u>	<u> </u>

20 Financial commitments

At 31 December 1996 the company had the following annual commitments, inclusive of irrecoverable VAT, under non-cancellable operating leases.

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	-	-	-
Expiring between two and five years	50	15	50	15
Expiring in over five years	-	-	-	-
	<u>50</u>	<u>15</u>	<u>50</u>	<u>15</u>

21 Post balance sheet event

On 7 March 1997 the parent undertaking, Union plc, announced its intention to sell Aitken Campbell & Company Limited. This sale has not yet taken place.

22 Ultimate parent and controlling party

The company's ultimate parent undertaking and controlling party is Union plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, Union plc, 39 Cornhill, London. The company's share capital is wholly owned by Union plc, and the company has therefore taken advantage of the exemption under Financial Reporting Standard No 8 not to disclose any transactions with entities which are part of the group.