

219670.

GRYPHON INVESTMENTS PLC

REPORT AND FINANCIAL STATEMENTS

31 MARCH 1997

Saffery Champness

CHARTERED ACCOUNTANTS



GRYPHON INVESTMENTS PLC

CONTENTS

Page

- 1 Directors and company information
- 2 Notice of meeting
- 3 Report of the directors
- 5 Report of the auditors
- 6 Profit and loss account
- 7 Balance sheet
- 8 Notes to the financial statements

DIRECTORS AND COMPANY INFORMATION

DIRECTORS

Sir Edward Howard Bt., GBE, D.Sc., MSI - (Chairman)
David H S Howard MA, MSI
John L S Howard

SECRETARY

Eric R Hurrell MSI

REGISTERED OFFICE

25 Luke Street
London
EC2V 4AR

COMPANY REGISTRATION NUMBER

219670

STOCKBROKERS

Charles Stanley & Co Limited
25 Luke Street
London
EC2A 4AR

AUDITORS

Saffery Champness
Chartered Accountants
Fairfax House
Fulwood Place
London
WC1V 6UB

NOTICE OF MEETING

Notice is hereby given that the seventy first annual general meeting of the company will be held at 25 Luke Street, London, EC2 on 9 July 1997 at 11.30 am for the following purposes:-

- 1 to receive and adopt the report of the directors and the financial statements for the year ended 31 March 1997.
- 2 to declare a dividend.
- 3 to re-elect a director.
- 4 to elect Sir Edward Howard, who has attained the age of 81, as a director.
- 5 to re-appoint the auditors and to authorise the directors to fix their remuneration.

By order of the Board

A handwritten signature in black ink, appearing to read 'Eric R Hurrell', written in a cursive style.

Eric R Hurrell
Secretary

10 June 1997

A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him; a proxy need not be a member.

REPORT OF THE DIRECTORS

The directors submit their report and the financial statements for the year ended 31 March 1997.

Result and Dividend

The profit after taxation for the year amounted to £44,109. The directors recommend the payment of a dividend of 1.9p per share (7.6%) for the year. After taking into account the tax credit to resident shareholders of 20% (1996: 20%) this represents a gross dividend of 9.5% (1996: 9.5%).

Principal Activities

The principal activity of the company is that of an investment company.

Review of the Year and Future Developments

No investments are currently held although the directors continue to monitor suitable investment opportunities.

Directors

The directors named on page 1 served throughout the year.

Mr John L S Howard retires by rotation and, being eligible, offers himself for re-election.

Sir Edward Howard, having attained the age of 81 years, vacates office by reason of his age and, being eligible, offers himself for re-election. Special notice has been given of the intention to propose his re-election.

Statement of Directors' Responsibilities in Respect of the Accounts

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 5, is made for the purpose of clarifying for members the respective responsibilities of the directors and the auditors in the preparation of the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of its profit or loss for the financial year. In preparing those financial statements the directors are required to use appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed. The directors are required to prepare the financial statements on a 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 financial statements 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 DIRECTORS (continued)

Directors' Interests

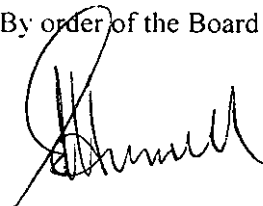
The interests of the directors in the capital of the company and its holding company were:-

	BENEFICIALLY HELD		OTHERWISE HELD	
	31 MARCH 1997	1 APRIL 1996	31 MARCH 1997	1 APRIL 1996
Sir Edward Howard				
Charles Stanley Group PLC	493,719	411,433	80,000	41,950
Gryphon Investments PLC	15,000	15,000	-	-
David H S Howard				
Charles Stanley Group PLC	2,445,000	2,030,000	271,880	155,000
Gryphon Investments PLC	15,000	15,000	-	-
John L S Howard				
Charles Stanley Group PLC	1,080,298	900,248	-	-
Gryphon Investments PLC	10,000	10,000	-	-

Auditors

The company's auditors, Saffery Champness, are willing to continue in office and a resolution proposing their re-appointment and authorising the directors to fix their remuneration will be put to the Annual General Meeting.

By order of the Board



Eric R Hurrell
Secretary

10 June 1997

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 6 to 9.

Respective Responsibilities of Directors and Auditors

As described in the directors' report on page 3, 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.

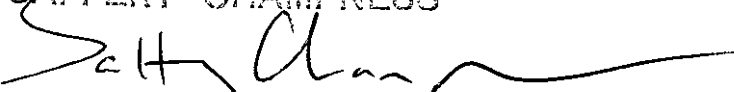
Basis of Opinion

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 affairs of the company as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

SAFFERY CHAMPNESS

Chartered Accountants
Registered Auditors
London

10 June 1997

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1997

	Note	1997	1996
INCOME			
Group interest receivable		86,997	101,393
Bank interest receivable		<u>118</u>	<u>109</u>
		87,115	101,502
ADMINISTRATION EXPENSES			
Directors' emoluments -			
Chairman	1,500		1,500
Two other directors	4,250		4,250
Auditors' remuneration:			
- Audit	1,000		1,000
- Non-audit	320		300
Other operating expenses	<u>22,007</u>	<u>22,008</u>	
		29,077	29,058
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58,038	72,444
Tax on profit on ordinary activities	2	<u>13,929</u>	<u>18,111</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		44,109	54,333
Proposed dividend	3	<u>20,000</u>	<u>20,000</u>
PROFIT RETAINED FOR YEAR		24,109	34,333
BALANCE BROUGHT FORWARD		<u>607,583</u>	<u>573,250</u>
BALANCE CARRIED FORWARD		<u>£631,692</u>	<u>£607,583</u>
EARNINGS PER ORDINARY SHARE	4	4.20p	5.17p

There were no recognised gains or losses in the company other than those reflected above.

The notes on pages 8 and 9 form part of these financial statements.

BALANCE SHEET
31 MARCH 1997

	Note	1997	1996
CURRENT ASSETS			
Debtors: Amount owed by holding undertaking		937,612	915,763
Cash at bank and in hand		<u>1,780</u>	<u>1,591</u>
		939,392	917,354
CREDITORS (amounts falling due within one year)	5	<u>45,200</u>	<u>47,271</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£894,192</u>	<u>£870,083</u>
CAPITAL AND RESERVES			
Called up share capital			
Authorised 1,400,000 ordinary shares of 25p each		<u>£350,000</u>	<u>£350,000</u>
Allotted and fully paid 1,050,000 ordinary shares of 25p each		262,500	262,500
Profit and loss account		<u>631,692</u>	<u>607,583</u>
SHAREHOLDERS' FUNDS	6	<u>£894,192</u>	<u>£870,083</u>

Approved by the board on 10 June 1997

David H S Howard
Director

The notes on pages 8 and 9 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The company has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 6 to 9. The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Investment Income and Interest

Dividends on investments are credited to the profit and loss account in the year in which they are received. Interest receivable and all expenses are dealt with on an accruals basis. Income from investments is shown inclusive of tax credits.

Deferred Taxation

Provision is made, using the liability method, for taxation at the currently projected rates of corporation tax in respect of items where there is a timing difference between their treatment for accounts and taxation purposes, if, in the opinion of the directors, it is probable that a material tax liability will crystallise in the foreseeable future.

Investments

Investments are shown in the financial statements at cost.

2 TAX ON PROFIT ON ORDINARY ACTIVITIES	1997	1996
--	------	------

The charge for tax is made up as follows:

Corporation tax at 24% (1996: 25%) on profit of the year	<u>£13,929</u>	<u>£18,111</u>
---	----------------	----------------

3 DIVIDEND

Proposed:

Final of 1.9p per share (1996: 1.9p)	<u>£20,000</u>	<u>£20,000</u>
--------------------------------------	----------------	----------------

4 EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on profit after taxation of £44,109 (1996: £54,333) and 1,050,000 ordinary shares in issue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 CREDITORS (amounts falling due within one year)	1997	1996
Corporation tax	13,929	18,111
Other creditors	2,041	1,910
Accruals	9,230	7,250
Proposed dividend	20,000	20,000
	<u>£45,200</u>	<u>£47,271</u>
6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit for the financial year	44,109	54,333
Dividend	20,000	20,000
	<u>24,109</u>	<u>34,333</u>
Opening shareholders' funds	<u>870,083</u>	<u>835,750</u>
Closing shareholders' funds	<u>£894,192</u>	<u>£870,083</u>

7 HOLDING COMPANY

The ultimate holding company is Charles Stanley Group PLC.

Copies of the group accounts prepared by the holding company are available from the registered office shown on page 1.