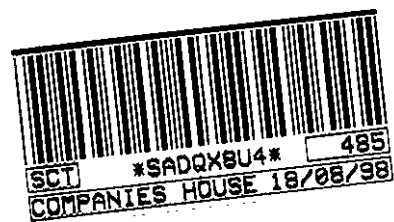


Robert Dinwiddie & Co Limited

Directors' report and financial statements

31 March 1998

Registered number 23767

A handwritten signature in black ink, consisting of a stylized 'R' followed by a series of loops and a final downward stroke.

Directors' report and financial statements

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Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 1998.

Principal activities

The principal activities of the company are the holding of investments and booksellers and stationers.

Business review

The results of the company are set out on page 4.

Proposed dividend

The directors recommend that a final dividend of £27,750 (185p per share) and a foreign income dividend of £11,250 (75.0046p per share) be paid on 30 July 1998 making with the interim of £18,000 (120p per share) paid on 26 January 1998 a total of £57,000 (380p per share).

Directors and directors' interests

The directors who held office during the year were as follows:

Mrs MD Grierson (retired 24 July 1997)
Mrs RM Kerr
Dr R Dinwiddie

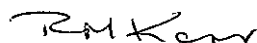
The director retiring by rotation is Mrs RM Kerr who, being eligible, offers herself for re-election.

The directors who held office at the end of the financial year had the following beneficial and family interests in the shares of the company as recorded in the register of directors' share and debenture interests:

	Class of share	Interest at end of year	Interest at beginning of year
Mrs RM Kerr	Ordinary	5,146	4,100
Dr R Dinwiddie	Ordinary	4,546	3,500
Mrs RM Kerr	Preference	2,750	2,000
Dr R Dinwiddie	Preference	2,250	1,500

In addition, Mrs RM Kerr and Dr R Dinwiddie are interested in 3,000 ordinary shares (1997: 3,000) as trustees.

By order of the board



RM Kerr
Secretary

29 Newall Terrace
DUMFRIES
DG1 1LN
30 July 1998

Statement of directors' responsibilities

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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the auditors to the members of Robert Dinwiddie & Co Limited

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described 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 the company's affairs as at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

*Chartered Accountants
Registered Auditors*

31 July 1998

Profit and loss account
for the year ended 31 March 1998

	<i>Note</i>	1998 £	1997 £
Turnover	2	5,371	15,607
Cost of sales		(4,472)	(8,542)
		<hr/>	<hr/>
Gross profit		899	7,065
Income from other fixed asset investments	5	85,232	81,823
Other interest receivable and similar income	6	2,465	1,828
		<hr/>	<hr/>
		88,596	90,716
Gain on sale of fixed assets		10,464	1,471
		<hr/>	<hr/>
		99,060	92,187
Administration expenses		(17,007)	(26,515)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	82,053	65,672
Tax on profit on ordinary activities	7	(13,721)	(12,766)
		<hr/>	<hr/>
Profit for the financial year		68,332	52,906
Retained profit brought forward		437,490	435,799
		<hr/>	<hr/>
		505,822	488,705
Appropriations:			
Dividends paid and proposed (including dividends on non-equity shares)	8	(57,175)	(51,215)
		<hr/>	<hr/>
Retained profit carried forward		448,647	437,490
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains or losses other than those reflected in the profit for the period as stated above.
There were no movements on reserves other than those reflected above.

Balance sheet
at 31 March 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Tangible assets	9		-		2,077
Investments	10		454,001		443,537
			<u>454,001</u>		<u>445,614</u>
Current assets					
Stocks	11	-		3,777	
Debtors	12	1,075		2,054	
Cash at bank and in hand		64,336		62,003	
			<u>65,411</u>	<u>67,834</u>	
Creditors: amounts falling due within one year	13	(49,357)		(54,550)	
			<u>16,054</u>	<u>13,284</u>	
Net current assets					
			<u>470,055</u>	<u>458,898</u>	
Net assets					
			<u><u>470,055</u></u>	<u><u>458,898</u></u>	
Capital and reserves					
Called up share capital	14		20,000		20,000
Other reserves			1,408		1,408
Profit and loss account - distributable			448,647		437,490
			<u>470,055</u>		<u>458,898</u>
Shareholders' funds (includes non-equity interests)			<u><u>470,055</u></u>		<u><u>458,898</u></u>

These financial statements were approved by the board of directors on 30 July 1998 and were signed on its behalf by:

RM Kerr

Mrs RM Kerr
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Plant and equipment	- 25% straight line
---------------------	---------------------

Leases

Leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Interest and investment income

Credit is taken for interest and investment income when that income is received.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirements of preparing a cash flow statement on the grounds that it qualifies as a small company.

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit before taxation is derived from the company's principal activities.

3 Profit on ordinary activities before taxation

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Directors' emoluments	1,700	2,400
Auditors' remuneration	1,050	1,050
Depreciation and other amounts written off tangible fixed assets:		
Owned	-	1,111
Hire of other assets - operating leases	-	1,188
Loss on sale of fixed assets	577	-
<i>after crediting</i>		
Profit on sale of fixed asset investment	10,464	1,471
Income from listed investments	84,907	81,542
Income from unlisted investments	325	281

4 Staff numbers and costs

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

	Number of employees
	1998 1997
Management and administration	2 2

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	2,402	9,100
Social security costs	201	330
	2,603	9,430

Notes (continued)

5 Income from other fixed asset investments

	1998 £	1997 £
Income from fixed asset investments:		
Franked	68,607	69,002
Unfranked	5,375	5,281
Foreign income dividends	11,250	7,540
	<u>85,232</u>	<u>81,823</u>

6 Other interest receivable and similar income

	1998 £	1997 £
Short term deposit interest received	2,465	1,828
	<u>2,465</u>	<u>1,828</u>

7 Taxation

	1998 £	1997 £
Tax attributable to franked investment income	13,721	13,800
Repayment in respect of previous years	-	(1,034)
	<u>13,721</u>	<u>12,766</u>

8 Dividends

	1998 £	1997 £
Equity shares:		
Ordinary shares:		
Interim paid, 120p per share (1997: 90p per share)	18,000	13,500
Final proposed, 185p per share (1997: 200p per share)	27,750	30,000
Foreign income dividend proposed 75.0046p per share (1997: 50.2654p per share)	11,250	7,540
	<u>57,000</u>	<u>51,040</u>
Non equity shares:		
Preference shares:		
Paid, 3.5p per share	175	175
	<u>57,175</u>	<u>51,215</u>

Notes (continued)

9 Tangible fixed assets

	Plant and equipment £
<i>Cost or valuation</i>	
At beginning of year	4,444
Disposals	(4,444)
	<hr/>
At end of year	-
	<hr/>
<i>Depreciation and diminution in value</i>	
At beginning of year	2,367
On disposals	(2,367)
	<hr/>
At end of year	-
	<hr/>
<i>Net book value</i>	
At 31 March 1998	-
	<hr/> <hr/>
At 31 March 1997	2,077
	<hr/> <hr/>

10 Fixed asset investments

	Unlisted £	Listed £	Total £
<i>Cost</i>			
At beginning of year	35,311	408,226	443,537
Additions	-	24,693	24,693
Disposals	-	(14,229)	(14,229)
	<hr/>	<hr/>	<hr/>
At end of year	35,311	418,690	454,001
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Market value</i>			
At 31 March 1998	219,483	2,838,166	3,057,649
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 1997	219,463	2,012,331	2,231,794
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The potential tax liability at 31 March 1998 if the investments were sold at market value would be £560,679 (1997: £508,409).

Notes (continued)

11 Stocks

	1998 £	1997 £
Finished goods and goods for sale	-	3,777
	<u> </u>	<u> </u>

12 Debtors

	1998 £	1997 £
Trade debtors	-	998
Tax recoverable	1,075	1,056
	<u> </u>	<u> </u>
	1,075	2,054
	<u> </u>	<u> </u>

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Trade creditors	-	-
Other creditors including taxation and social security	-	307
Accruals and deferred income	10,357	13,203
Dividends proposed	39,000	37,540
Director's loan	-	3,500
	<u> </u>	<u> </u>
	49,357	54,550
	<u> </u>	<u> </u>

14 Called up share capital

	1998 £	1997 £
<i>Authorised, allotted, called up and fully paid</i>		
<i>Equity interests</i>		
Ordinary shares of £1 each	15,000	15,000
<i>Non-equity interests</i>		
3.5% (plus tax credit) cumulative preference shares of £1 each	5,000	5,000
	<u> </u>	<u> </u>
	20,000	20,000
	<u> </u>	<u> </u>