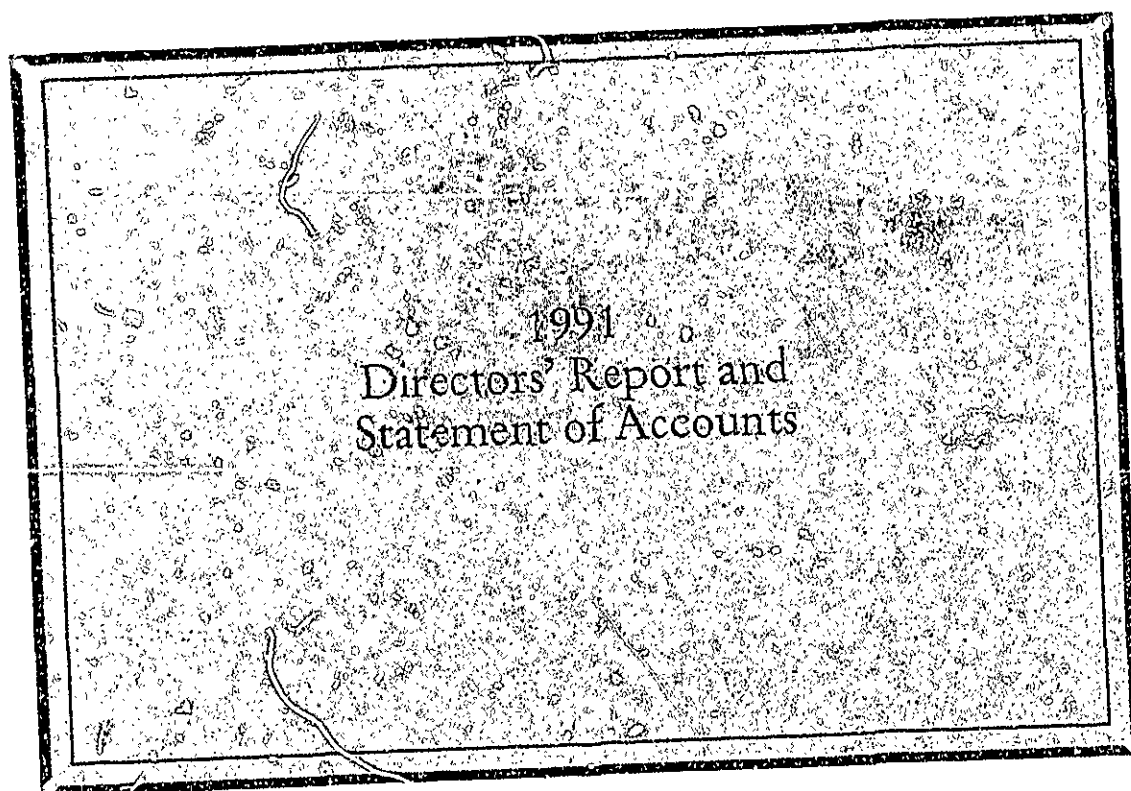


SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC



COMPANIES HOUSE
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Scottish and Mercantile Investment Trust PLC

invests in a portfolio of special situations, where the holding may
constitute a significant proportion of their equity.

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SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

COMPANY INFORMATION

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

Directors

JAMIE BORWICK, Chairman
J. M. StJ. HARRIS
M. A. F. REEVE
E. C. TEIDEMAN
H. R. WALDUCK, J.P.

Secretary

J. W. L. FARRAR, F.C.A.

Managers

Finsbury Asset Management Limited
Neptune House
Triton Court
14 Finsbury Square
London EC2A 1BR

Auditors

Robson Rhodes
186 City Road
London EC1V 2NU

Solicitors

Bischoff & Co
Epworth House
25 City Road
London EC1Y 1AA

Bankers

Royal Bank of Scotland plc
67 Lombard Street
London EC3P 3DL

Stockbrokers

UBS Phillips & Drew Securities Limited
100 Liverpool Street
London EC2M 2RH

Company No.

126107
(Registered in England)

Registered Office

Neptune House
Triton Court
14 Finsbury Square
London EC2A 1BR

Registrars

Stentiford Close Registrars Limited
Broseley House
Newlands Drive
Witham
Essex CM8 2UL

The Company is a member of the Association of Investment Trust Companies

NOTICE OF ANNUAL GENERAL MEETING


1991

Notice is hereby given that an Annual General Meeting of *SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC* will be held at The Imperial Hotel, Russell Square, London WC1 on Thursday, 5th September at 12.00 noon, for the following purposes:

1. To receive and consider the audited accounts for the year ended 31st March, 1991 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. Directors:
 - (i) M. A. F. Reeve who was appointed on 18th September, 1990 retires and, being eligible, offers himself for re-appointment.
 - (ii) J. M. St.J. Harris who was appointed on 2nd July, 1991 retires and, being eligible, offers himself for re-appointment.
 - (iii) H. R. Walduck retires by rotation and, being eligible, offers himself for re-election.
4. To reappoint the Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

Neptune House
Triton Court
14 Finsbury Square
London EC2A 1BR

By order of the Board

 J. W. L. Farrar
Secretary

6th August, 1991

Notes

Appointment of Proxies

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, upon a poll, to vote instead of him. A proxy need not also be a member.

To be valid, a proxy should be deposited at the office of the registrar of the Company not less than 48 hours before the time of the meeting. If an ordinary shareholder has completed a form of proxy this does not preclude him/her from attending and voting in person if he/she so wishes.

Payment of Final Dividend

If approved, the dividend will be paid on 5th September, 1991 to shareholders registered at the close of business on 22nd August, 1991.

FINANCIAL CALENDAR

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

Preference Dividend Paid	September
Announcement of Half Year Figures	November
Interim Report sent to Shareholders	December
Interim Dividend Paid	January
Preference Dividend Paid	March
Preliminary Figures for the Full year Announced	July/August
Annual Report sent to Shareholders	August
Annual General Meeting held and Final Dividend Paid	September

RECORD OF NET ASSETS AND DIVIDENDS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

years ended 31st March

Years ended 31st March	Gross Dividends per Ordinary and 'A' Ordinary 5p Share	Net Dividends per Ordinary and 'A' Ordinary 5p Share	Net Assets per Ordinary and 'A' Ordinary 5p Share
1982	1.97p	1.38p	51.0p
1983	2.20p	1.54p	67.3p
1984	2.20p	1.54p	80.9p
1985	4.00p	2.80p	89.5p
1986	6.37p	4.50p	93.8p
1987	6.90p	5.00p	108.8p
1988	6.18p	4.60p	112.8p
1989	5.47p	4.10p	124.7p
1990	4.64p	3.48p	110.3p
1991	3.80p	2.85p	110.8p

Note

The market value of both the Ordinary and 'A' Ordinary 5p shares at 31st March, 1982 as adjusted for the subdivision of shares in September 1986 was 36.6p.

ANALYSIS OF INVESTMENT PORTFOLIO

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

On the basis of the market valuation at 31st March, 1991 the investments of the group were as follows:

	1991		1990	
	£'000	%	£'000	%
Equities and Convertibles				
Brewers & Distillers	0	0.0	869	3.0
Building Materials	950	3.4	760	2.6
Business Services	380	1.4	0	0.0
Chemicals	395	1.4	518	1.9
Conglomerates	1,766	6.4	1,700	5.8
Contract/Construction	919	3.3	1,190	4.0
Electronics	96	0.3	414	1.4
Health & Household	785	2.8	1,309	4.5
Hotels & Leisure	409	1.5	484	1.6
Other Industrial Materials	408	1.5	0	0.0
Insurance Brokers	319	1.2	315	1.1
Insurance (Life)	0	0.0	497	1.7
Investment Trusts	7,539	27.2	6,547	22.3
Mechanical Engineering	373	1.3	436	1.5
Merchant Banks	2,475	8.9	2,337	7.9
Metals & Metal forming	0	0.0	48	0.2
Mining Finance	0	0.0	608	2.1
Oil & Gas	0	0.0	456	1.5
Paper & Packaging	770	2.8	298	1.0
Property	272	1.0	398	1.3
Shipping & Transport	5,399	19.5	4,562	15.5
Stores	0	0.0	394	1.3
Textiles	549	2.0	603	2.1
Media	2,053	7.4	2,496	8.5
Total Equities and Convertibles	25,857	93.3	27,269	92.8
Fixed Interest	9	0.0	0	0.0
Warrants	0	0.0	180	0.6
Total Listed Investments	25,866	93.3	27,449	93.4
Unlisted Investments	977	3.5	757	2.6
Direct Property	26,843	96.8	28,206	96.0
Total Investments	900	3.2	1,175	4.0
	£27,743	100.0	£29,381	100.0

GEOGRAPHICAL DISTRIBUTION

United Kingdom	26,754	96.4	28,007	95.3
U.S.A.	415	1.5	767	2.6
Greece	574	2.1	607	2.1
	£27,743	100.0	£29,381	100.0

CHAIRMAN'S STATEMENT

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

During the financial year to 31st March, 1991 a number of important strategic objectives were achieved, which will enhance prospects for the future.

1991 Results

For some time we have been using our cash to purchase listed investments, and so our total income has inevitably reduced. The earnings increase from our growing listed investments, reduced by a larger fall in interest income, resulted in a reduction of earnings per share from 3.6p in 1990 to 2.9p in the year under review. An interim dividend of 1.2p per share was paid in January and your directors are now proposing a final dividend of 1.65p per ordinary and 'A' ordinary share making a total for the year of 2.85p compared to 3.48p for the previous year.

The pre tax revenue declined by £178,000 to £1,071,000. This was primarily accounted for by the reduction of £213,000 in interest receivable as a result of investment of our cash balances and a fall of £60,000 in investment dealing profits that are always unpredictable. In aggregate these greatly outweighed the £134,000 increase in income from our investments. Post-tax earnings were reduced further by an unusually high tax charge for the year. More encouragingly the net assets per share climbed from 95.0p at the half year to 110.8p at the year end.

Policy

The policy of your Company for some years has been to invest in long term special situations. We have five core investments which are in Rea Brothers Group PLC, Stocklake Holdings PLC, Ocean Wilsons (Holdings) PLC, Lancashire & London Investment Trust PLC and Scottish Cities Investment Trust PLC. Rea Brothers is a private banking business, Stocklake an international trading house specialising in Africa and Eastern Europe and Ocean Wilsons trades in Brazil. Lancashire & London is an investment trust specialising in smaller companies while Scottish Cities specialises in larger companies. More details of their performances during the year are included in the Investment Manager's Review on Page 9. The programme of simplifying the structure of cross holdings of these companies on which we embarked some time ago made further significant progress during the year. We have managed to reduce the number of complex cross holdings from 31 to 13, replacing them with increased direct holdings.

The liquidation of Fashion & General Investment PLC, which was previously 76% owned by your Company, was practically complete by August 1990 and the funds distributed were used to streamline the structure and increase your Company's holdings in its core investments.

Since the year end Stocklake Holdings has proposed an exciting and original reconstruction which we wholly support. This will involve distributing to its shareholders cash, its shareholdings in Rea Brothers and shares in its principal trading subsidiary Adam & Harvey Group PLC, which will then be listed. We believe that this imaginative move will enhance shareholder value, and intend to use the £725,000 cash which we are due to receive under the proposals for further investment in special situations.

During this period of reorganisation, the proportion of Lancashire & London's net assets invested in the above companies fell from 24% to zero, and the equivalent proportion of Scottish Cities' from 29% to 17%. This latter figure will fall further to about 12% following the reorganisation of Stocklake. Neither of these trusts any longer has a cross holding in the other or in Ocean Wilsons.

CHAIRMAN'S STATEMENT

(continued)

On 27th March, 1991, Anglo Scandinavian Investment Trust PLC first announced its unsolicited and unwelcome takeover bid for Lancashire & London Investment Trust PLC. We did not accept the offer for our 22.5% of the share capital as your directors considered it a poor time to be selling out of the smaller companies sector which, after two years of poor absolute and relative performance, now seems poised to resume its historic out-performance. Our decision was shared by many other shareholders and the bid finally lapsed on 24th June, 1991.

Directors

During the year Mr. Michael Reeve was appointed a director and following the year end the Earl of Dartmouth retired as a director and Mr. Jocelin Harris was appointed a director. I would like to take this opportunity on behalf of both the Board and shareholders to thank Lord Dartmouth for his many years of service to the Company. I welcome Mr. Reeve and Mr. Harris to the Board.

The Future

We have a soundly balanced portfolio and interesting opportunities for the future. I believe that the growing evidence of a return of investor confidence and increasing savings should bring a return to a strong economy. I hope that this severe recession will not remove the chance of the Government continuing its many long term changes to Great Britain, particularly the growth of enterprise. However, a large number of good companies and individuals have been hurt by their experiences over the last year and the Government still has many changes to make to re-start the British economy. There will be many uncertainties in the year ahead, and our job is to take advantage of the opportunities.

JAMIE BORWICK

ANALYSIS OF LARGE INVESTMENTS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

A summary of the largest investments of the group at 31st March, 1991 is as follows:

	1991 £'000	£'000	1990 £'000	£'000
Trading Companies				
Ocean Wilsons (Holdings) PLC	4,209		2,452	
Rea Brothers Group PLC	2,475		2,017	
Stocklake Holdings PLC	1,766		1,700	
		8,450		6,169
Investment Trusts				
Scottish Cities Investment Trust PLC	5,993		5,940	
Lancashire & London Investment Trust PLC	1,555		607	
		7,548		6,547
Market Investments				
Manders (Holdings) PLC	720		760	
Huntingdon International Holdings PLC	636		606	
Pearson PLC	616		695	
Thames Television PLC	600		1,012	
Yorkshire Television Holdings PLC	448		354	
Hays PLC	520		452	
Berkeley Group PLC	425		251	
Courtaulds PLC	395		506	
Eurotunnel PLC	-		829	
Grand Metropolitan PLC	-		585	
Rosehaugh PLC	-		534	
RTZ Corporation PLC	-		608	
Other Investments	5,528		7,562	
		9,888		14,754
Unlisted and Other Investments				
Hellasport Tankers Ltd	574		607	
Property - Office Premises, London	450		725	
Property - Wholesale Warehouse, Sheffield	450		450	
Other Investments	383		129	
		1,857		1,911
		£27,743		£29,381

INVESTMENT MANAGER'S REVIEW

SCOTLAND MERCANTILE INVESTMENT TRUST PLC

Market Background

The year to 31st March, 1991 was a period of exceptional volatility for the U.K. stock market, which mapped out an approximate 'W' shape pattern during the year. Overall, the market, as measured by the FTSE 100 index rose 9.3% to 2456.5. Initially, however, the market continued the fall which started in early 1990, reaching a low in late April before a strong rally led to a recovery of the 2400 level in July. The Iraqi invasion of Kuwait led to renewed weakness, with the FTSE 100 reaching a low of 1990 at the Company's interim date of 30th September. The subsequent recovery, concentrated in the first quarter of 1991, was triggered by the start of the Gulf war, but largely reflects the expectation of economic recovery combined with lower inflation and interest rates.

Investment Strategy

Against this background, we have continued to develop the Company's policy of investment in longer term special situations. We would define a special situation as a company whose underlying value is not apparent in terms of asset value or short term earnings or dividend outlook. This can be because of a strong position in its markets, a technological lead over its competitors, exceptionally favourable prospects in its markets or a management strategy to create long term value at some short term cost. Special situations can include companies whose market value is significantly less than the aggregate value of their constituent businesses, companies which have outstanding recovery potential after a period of poor trading, and companies the replacement cost of whose assets is significantly higher than their market capitalisation or shareholders funds.

Our investments divide into four groups. The first comprises Rea Brothers, Ocean Wilsons and Stocklake, which are trading companies in which our shareholdings are significant (respectively 15%, 23% and 13% of the issued share capital). Further shareholdings in Rea Brothers and Stocklake are held by Ocean Wilsons and Scottish Cities Investment Trust. The second group comprises significant shareholdings in Lancashire & London Investment Trust and Scottish Cities Investment Trust. These shareholdings give the company an exposure to a broad and tax efficient spread of investments in smaller companies and larger companies respectively. Since both these trusts are also managed by Finsbury, consistency of management is assured.

The third group comprises market investments where there are nonetheless aspects which lead us to believe they constitute attractive special situations.

The fourth group comprises unquoted investments, which include unlisted securities and direct property investments. This is not a sector in which we expect to be particularly active but one in which we believe it right for the Company to have a modest exposure.

The reorganisation of the structure of companies managed by Finsbury, as outlined in the Chairman's Statement, has resulted in the first two groups of investments being of similar size and the third a little larger. Unquoted investments are expected to continue to represent a much smaller proportion, currently under 10% of the total.

The year's performance

The marginal rise in assets per share looks disappointing compared to the rise in the FTSE 100 index. However, the Company's investment portfolio does have a bias towards smaller companies, arising from the three core investments in trading companies, the investment in Lancashire & London Investment Trust and a number of the holdings in the general portfolio. The Hoare Govett Smaller Company index fell 5.7% during the year, and the underperformance of smaller companies undoubtedly reduced the Company's performance. During the year, the holding in Lancashire & London Investment Trust was increased, and a number of new investments in smaller companies were made while a number of holdings in larger companies were sold or reduced. This reflected our view that smaller companies were, and still

INVESTMENT MANAGER'S REVIEW

(continued)

are, undervalued relative to larger companies, leading to a higher incidence of special situations among them. A number of investments, including Eurotunnel, were sold on account of their being low or zero yielding, with a view to steadily raising the income from investments.

Other features of the year included:

Scottish Cities net asset value performed in line with the market, and its share prices slightly outperformed. A small reduction in the holding in its non-voting shares was made during the year to help finance increased investment in smaller companies, and on account of the size of the holding in relation to total assets.

Ocean Wilsons suffered a fall in profits as a result of the harsh economic and financial climate in Brazil which followed the counter inflationary policies introduced in March, 1990. However, the Company reported a significant recovery in the second half of 1990 and maintained its dividends for the year.

Rea Brothers reported a small increase in profits for 1990. It continued to strengthen its management team and develop its specialist activities during 1990 and in the early part of 1991 so that we are confident that it is better placed than for many years to benefit from the recovery in business activity.

Stocklake recently announced record results for the year to 31st March, 1991 coupled with an imaginative corporate reconstruction scheme which should prove highly beneficial to its shareholders.

Lancashire & London was badly affected by the weakness of smaller companies' share prices in 1990, but its performance has bounced back strongly in the early part of 1991. The positive outlook for smaller companies in relative and absolute terms makes us optimistic about the potential for this fund.

Manders surprised the market, and us, by producing a small rise in earnings in 1990. The holdings in Huntingdon International and Pearson were reduced respectively shortly before and shortly after the year end. Both investments have performed well and their special situations status is diminishing. The profit and share price performance of Thames Television has been very disappointing. However, we believe that there is a probability of it retaining its ITV franchise, and that the prospective profitability of the franchises for the larger regions is being widely underestimated. At the same time, the holdings in Central Television and Yorkshire Television have performed well. Other holdings which have performed well include Hays and, in particular, Berkeley Group.

The list of largest investments includes three unquoted situations. Hellespont Tankers continues to be valued at cost and is performing in line with expectations. The London commercial property, which is vacant and therefore non-yielding, has been sold at book value since the year end. On the industrial property investment, which is let long term on a good covenant, we are anticipating an upwards rent review later this year which should provide a more than satisfactory yield.

Outlook

Although the rise in U.K. equity market in the early part of the year has corrected the extreme undervaluation of late last year, we believe that the market remains undervalued on a medium term view. We expect economic growth to resume within the current year, and while recovery may be slow at first, it is likely to accelerate as 1992 progresses. Company profits, which will have fallen by about 25% in real terms between 1988 and 1991, should then recover strongly as rising output combines with substantial productivity gains. In the short term political and economic worries are likely to cause the equity market to continue to trade sideways, but investment performance is not achieved by waiting to buy until there is a consensus view that it is safe to do so. Consequently, we intend to remain fully invested and are prepared to undertake a prudent level of gearing as suitable investment opportunities arise.

We are encouraged by the improving prospects of our three core investments in trading companies and by the success of Scottish Cities Investment Trust and Lancashire & London Investment Trust in anticipating the market upturn. We are confident that the restructuring of the Company's investments leaves it well placed to participate fully in the favourable market outlook.

REPORT OF THE DIRECTORS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

The directors present their Report and Statement of Accounts for the year ended 31st March, 1991.

Status and Activities

During the year under review the Company has operated as an investment company and it qualifies as an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval for such treatment has been given up to 31st March, 1990 and the Company has subsequently directed its affairs so as to enable it to continue to obtain such approval. The Directors are of the opinion that the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

There has been no significant change in the group's activities during the year and the directors anticipate that the group will continue to operate in the same manner during the current year. Since the previous year's report the Company's 76.4% owned subsidiary Fashion & General Investment PLC has been placed in voluntary liquidation and a distribution of £4.50 per share held in that company was made by the liquidator on 25th July, 1990.

The Company currently qualifies for the full investment trust limit of £3,000 in a Personal Equity Plan. It is the present intention that the Company will conduct its affairs so as to continue to be a qualifying trust.

Results and Dividends

The results attributable to shareholders for the year are as follows:

	1991 £'000	1990 £'000 (Restated)
Revenue from ordinary activities before taxation	1,071	1,249
Taxation	337	319
	734	930
Minority interests	34	49
	700	881
Dividends		
Preference shares	16	16
Ordinary and 'A' non-voting ordinary shares		
Interim paid of 1.2p		
(1990: 1.2p) per share	288	288
Final proposed of 1.65p		
(1990: 2.28p) per share	396	547
	700	851
Proposed revenue reserve transfer	£—	£30

As set out in the interim statement for the six months to 30th September, 1990 the accounts have been drawn up to include income from the group's listed investments from the date they become ex dividend rather than from the payment date. This is a change in accounting policy and accordingly the comparative figures have been restated to reflect this change of policy which is normal in the investment trust industry. The effect of this is set out in the New Accounting basis section of this report on page 13. In addition the comparative figures for the Company's investment in its listed subsidiary Fashion & General Investment PLC now in members voluntary liquidation has been restated at mid-market value.

may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this article in relation to any such contract; provided that no such notice shall be effective unless either it is given at a meeting of the board or the director takes reasonable steps to secure that it is brought up and read at the next board meeting after it is given.

(K) References in this article to a contract include references to any proposed contract and to any transaction or arrangement whether or not constituting a contract.

(L) The company may by ordinary resolution suspend or relax the provisions of this article to any extent or ratify any contract not properly authorised by reason of a contravention of this article.

POWERS AND DUTIES OF THE BOARD

89. Subject to the provisions of the Companies Acts, the memorandum of association of the company and these articles and to any directions given by the company in general meeting by special resolution, the business of the company shall be managed by the board which may exercise all the powers of the company whether relating to the management of the business of the company or not. The alteration of the memorandum of association or these articles or the passing of a special resolution shall not invalidate any prior act of the board which would have been valid if that alteration had not been made or that resolution had not been passed. The powers given by this article shall not be limited by any special power given to the board by any other article.

90. The board may establish local or divisional boards or agencies for managing any of the affairs of the company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of the local or divisional boards, or any managers or agents, and may fix their remuneration. The board may delegate to any local or divisional board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the board, with power to sub-delegate, and may authorise the members of any local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies. Any appointment or delegation made pursuant to this article may be made upon such terms and subject to such conditions as the board may decide and the board may remove any person so appointed and may revoke or vary the delegation but no person dealing in good faith and without notice of the revocation or variation shall be affected by it.

91. The board may, by power of attorney or otherwise, appoint any person to be the agent of the company upon such terms (including terms as to remuneration) as it may decide and may delegate to any person so appointed any of the powers, authorities and discretions vested in or exercisable by the board, including power to sub-delegate. The board may remove any person appointed under this article and may revoke or vary the delegation but no person dealing in good faith and without notice of the revocation or variation shall be affected by it.

92. The board may entrust to and confer upon any director any of the powers, authorities and discretions vested in or exercisable by it upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, authorities and discretions and may from time to time revoke or vary all or any of them but no

person dealing in good faith and without notice of the revocation or variation shall be affected by it.

93. The company may exercise all the powers conferred by the Companies Acts with regard to having official seals, and those powers shall be vested in the board.

94. Subject to the provisions of the Companies Acts, the company may keep an overseas or local or other register in any place, and the board may make and vary such regulations as it may think fit respecting the keeping of the register.

95. The board shall cause minutes or records to be made in books provided for the purpose:-

- (a) of the names of the directors present at each meeting of the board or committee of the board, and
- (b) of all resolutions and proceedings at all meetings of the company and of the holders of any class of shares in the company and of the board and of any committee of the board.

96. The board may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, connections or dependants of any director or former director provided that no benefits (except such as may be provided for by any other article) may be granted to or in respect of a director or former director who has not been employed by, or held an executive or other office or place of profit under, the company or any body corporate which is or has been its subsidiary or any predecessor in business of the company or any such body corporate without the approval of an ordinary resolution of the company. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

PROVISION FOR EMPLOYEES

97. The board may by resolution exercise any power conferred by the Companies Acts to make provision for the benefit of person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

PROCEEDINGS OF THE BOARD

98. The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A director at any time may, and the secretary on the requisition of a director at any time shall, summon a board meeting.

99. Notice of a board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose. A director absent or

intending to be absent from the United Kingdom may request the board that notices of board meetings shall during his absence be sent in writing to him at an address given by him to the company for this purpose, but such notices need not be given any earlier than notices given to directors not so absent and if no request is made to the board it shall not be necessary to give notice of a board meeting to any director who is for the time being absent from the United Kingdom. A director may waive notice of any meeting either prospectively or retrospectively.

100. The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two. Subject to the provisions of these articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

101. The continuing directors or a sole continuing director may act notwithstanding any vacancy in their number but, if and so long as the number of directors is reduced below the minimum number fixed by or in accordance with these articles, the continuing directors or director, notwithstanding that the number of directors is below the number fixed by or in accordance with these articles as the quorum or that there is only one continuing director, may act for the purpose of filling vacancies or of summoning general meetings of the company but not for any other purpose.

102. The board may appoint a chairman and deputy chairman or deputy chairmen of its meetings and fix the period for which they are respectively to hold office. If no chairman or deputy chairman is appointed, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chairman of the meeting.

103. A meeting of the board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the board.

104. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have an additional or casting vote.

105. (1) Each and every power authority or discretion under these articles vested in the board may be delegated by the board to a committee in accordance with the provisions of paragraph (2) of this article and no such power, authority or discretion shall be regarded as being incapable of delegation to such a committee.

(2) The board may delegate any of its powers, authorities and discretions to any committee, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit, provided that the majority of the members of the committee are directors of the company and that no meeting of the committee shall be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors of the company. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the board.

106. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these articles for regulating the meetings and proceedings of the board so far as the same are applicable and are not superseded by any regulations imposed by the board under the last preceding article.

107. A resolution in writing executed by all the directors for the time being entitled to receive notice of a meeting of the board (if that number is sufficient to constitute a quorum) or by all the members of a committee for the time being shall be as valid and effectual as a resolution passed at a meeting of the board or, as the case may be, of the committee properly called and constituted. The resolution may be contained in one document or in several documents in like form each executed by one or more of the directors or members of the committee concerned.

108. All acts done by the board or by any committee or by any person acting as a director or member of a committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the board or committee or person so acting or that they or any of them were disqualified or had vacated office, be as valid as if each such member or person had been properly appointed and was qualified and had continued to be a director or member of the committee.

SEALS

109. The board shall provide for the custody of every seal. A seal shall only be used by the authority of the board or of a committee of the board authorised by the board in that behalf. Subject as otherwise provided in these articles, any instrument to which the common seal is applied shall be signed by at least one director and the secretary or by at least two directors, and any instrument to which an official seal is applied need not, unless the board for the time being otherwise decides or the law otherwise requires, be signed by any person.

DIVIDENDS AND OTHER PAYMENTS

110. Subject to the provisions of the Companies Acts, the company may by ordinary resolution from time to time declare dividends to be paid to the members according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the board.

111. Subject to the provisions of the Companies Acts, the board may pay such interim dividends as appear to the board to be justified by the financial position of the company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the company, in the opinion of the board, justifies its payment. If the board acts in good faith, it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

112. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:-

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this article as paid up on the share, and
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

113. The board may deduct from any dividend or other moneys payable to a member by the company on or in respect of any shares all sums of money (if any) presently payable by him to the company on account of calls or otherwise in respect of shares of the company.

114. No dividend or other moneys payable by the company on or in respect of any share shall bear interest against the company.

115. Any dividend or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the register in respect of the shares at his address as appearing in the register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of the shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by them.

116. Any dividend unclaimed after a period of twelve years from the date of declaration of the dividend shall be forfeited and shall revert to the company and the payment by the board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account shall not constitute the company a trustee in respect of it.

117. Any general meeting declaring a dividend may, upon the recommendation of the board, by ordinary resolution direct payment or satisfaction of the dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares or debentures of any other company, and the board shall give effect to the direction, and where any difficulty arises in regard to the distribution the board may settle it as it thinks expedient, and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution purposes of any specific assets to be distributed and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to secure equality of distribution and may vest any specific assets to be distributed in trustees as may seem expedient to the board.

RESERVES

118. The board shall maintain a reserve to be called the capital reserve, and shall either carry to the credit of such reserve from time to time all moneys realised on the sale of any

investments of the company in excess of the book price of the same or apply the same in providing for depreciation or contingencies. Such capital reserve and all other moneys in the nature of accretion to capital, whether on sale of investments or otherwise, shall be treated for all purposes as capital moneys and not as profits available for dividend. Any sums incurred in connection with the management of the assets of the company which, in the opinion of the directors, are reasonably and fairly apportioned to capital or any loss realised on the sale of any investments may be carried to the debit of the capital reserve, except in so far as the board shall in their discretion decide to make good the same out of other funds of the company.

119. The board may also before recommending any dividend, set aside out of the profits of the company such sums as it thinks proper as reserves which shall, at the discretion of the board, be applicable for any purpose to which the profits of the company may be properly applied.

120. Any moneys for the time being standing to the credit of any such reserves may, at the discretion of the board, either be employed in the business of the company or be invested in such investments as the board may from time to time think fit. The board may also, without placing the same to reserve, carry forward any profits which it may think it prudent not to distribute.

CAPITALISATION OF PROFITS

121. The company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that the amount to be capitalised be set free for distribution among the members or any class of members who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts for the time being unpaid on any shares in the company held by those members respectively or in paying up in full unissued shares debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members, or partly in one way and partly in the other, but so that, for the purposes of this article, a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the company.

122. Where any difficulty arises in regard to any distribution under the last preceding article the board may settle the matter as it thinks expedient and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any members in order to adjust the rights of all parties, as may seem expedient to the board. The board may authorise any person to enter into an agreement with the company, on behalf of the persons entitled to participate in the distribution providing for the allotment to them respectively of any shares, debentures or other obligations of the company to which they are entitled on the capitalisation and the agreement shall be binding on those persons.

RECORD DATES

123. Notwithstanding any other provision of these articles the company or the board may fix any date as the record date for any dividend, distribution, allotment or issue and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made.

ACCOUNTING RECORDS

124. The board shall cause to be kept accounting records sufficient to give a true and fair view of the state of the company's affairs and to show and explain its transactions, in accordance with the Companies Acts.

125. The accounting records shall be kept at the office or, subject to the provisions of the Companies Acts, at such other place or places as the board may think fit and shall always be open to inspection by the officers of the company. No member in his capacity as such shall have any right of inspecting any accounting record or book or document of the company except as conferred by law or authorised by the board or by ordinary resolution of the company.

126. (1) Subject to paragraph (2) below a printed copy of every balance sheet and profit and loss account together with the report of the board thereon and including every other document required by law to be annexed thereto, which is to be laid before the company in general meeting, together with a copy of the auditors' report, shall be sent to each person of whose address the company is aware who is entitled thereto in accordance with the requirements of the Companies Acts, and copies shall also be sent in appropriate numbers to The Stock Exchange in accordance with its regulations.

(2) The company need not, if the board so decides, send copies of such documents to members, but may instead send those of them of whose address it is aware a summary financial statement derived from the company's balance sheet and profit and loss account and the report of the board thereon, in such form and containing such information as may be required by the Companies Acts provided that copies of the documents referred to in (1) above shall be sent to any member of whose address the company is aware who wishes to receive them and the company shall comply with the provisions of the Companies Acts as to the manner in which it is to ascertain whether a member wishes to receive them.

SERVICE OF NOTICES AND OTHER DOCUMENTS

127. Any notice or other document (including a share certificate) may be served on or delivered to any member by the company either personally or by sending it through the post addressed to the member at his registered address or by leaving it at that address addressed to the member. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders.

128. Any member whose registered address is not within the United Kingdom and who

gives to the company an address within the United Kingdom at which notices may be served upon him shall be entitled to have notices served upon him at that address but, unless he does so, shall not be entitled to receive any notice from the company.

129. Any notice or other document, if sent by post, shall be deemed to have been served or delivered on the day following that on which it was put in the post and, in proving service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post. Any notice or other document not sent by post but left at a registered address shall be deemed to have been served or delivered on the day it was so left.

130. Where a person is entitled by transmission to a share, any notice or other document shall be served upon or delivered to him, and any dividend or other sum payable in cash in respect of the share may be paid to him, as if he was the holder of that share and his address noted in the register was his registered address. Except where there is a person entitled by transmission to a share, any notice or other document served on or delivered to any member pursuant to these articles shall, notwithstanding that the member is then dead or bankrupt or that any other event giving rise to the transmission of the share by operation of law has occurred and whether or not the company has notice of the death, bankruptcy or other event, be deemed to have been properly served or delivered in respect of any share registered in the name of that member as sole or joint holder unless, before the day of posting (or, if it is not sent by post, before the day of service or delivery) of the notice or document, his name has been removed from the register as the holder of the share and service or delivery in the foregoing manner shall be deemed for all purposes a sufficient service or delivery of the notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

131. If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the company is unable effectively to convene a general meeting by notice sent through the post, a general meeting may be convened by a notice advertised in at least two daily newspapers with a national circulation and in that event the notice shall be deemed to have been served on all members and persons entitled by transmission, who are entitled to have notice of the meeting served upon them, on the day when the advertisement appears. If at least six clear days prior to the meeting the posting of notices to addresses throughout the United Kingdom has again become practicable, the company shall send confirmatory copies of the notice by post to the persons entitled to receive them.

DESTRUCTION OF DOCUMENTS

132. If the company destroys

- (a) any share certificate which has been cancelled at any time after a period of one year has elapsed from the date of cancellation or
- (b) any instruction concerning the payment of dividends or other moneys in respect of any share or any notification of change of name or address at any time after a period of two years has elapsed from the date the instruction or notification was recorded by the company or

- (c) any instrument of transfer of shares which has been registered at any time after a period of six years has elapsed from the date of registration or
- (d) any other document on the basis of which any entry is made in the register at any time after a period of six years has elapsed from the date the entry was first made in the register in respect of it

and the company destroys the document in good faith and without express notice that its preservation was relevant to a claim, it shall be presumed irrebuttably in favour of the company that every share certificate so destroyed was a valid certificate and was properly cancelled, that every instrument of transfer so destroyed was a valid and effective instrument of transfer and was properly registered and that every other document so destroyed was a valid and effective document and that any particulars of it which are recorded in the books or records of the company were correctly recorded. Nothing contained in this article shall be construed as imposing upon the company any liability by reason only of the destruction of any document of the kind mentioned above before the relevant period mentioned in this article has elapsed or of the fact that any other condition precedent to its destruction mentioned above has not been fulfilled. References in this article to the destruction of any document include references to its disposal in any manner.

WINDING UP

133. If the company commences liquidation, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Companies Acts,

- (a) divide among the members in kind the whole or any part of the assets of the company (whether they shall consist of property of the same kind or not) and, for that purpose, set such values as he deems fair upon any property to be divided and determine how the division shall be carried out as between the members or different classes of members and
- (b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit

but no member shall be compelled to accept any shares or other assets upon which there is any liability.

INDEMNITY

134. (1) Subject to the provisions of the Companies Acts, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every director or other officer of the company and the auditors shall be indemnified out of the assets of the company against any liability incurred by him as a director or other officer of the company, or as auditor, including (without prejudice to the generality of the foregoing) any liability incurred by him in defending any proceedings (whether civil or criminal), in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any

application under the Companies Acts in which relief from liability is granted to him by the court.

(2) The board may, on behalf of the company, exercise all the powers of the company to purchase and maintain insurance for the benefit of any officer of the company or any person (whether an officer or not) employed by the company as auditor against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company.