

1. INCOME	2000 £'000	1999 (Restated) £'000
<b>Income from investments:</b>		
UK franked investment income	16,495	18,091
Overseas dividends	9,397	8,761
Overseas interest	5	6
Foreign income dividends	–	426
Scrip dividends	548	107
Other	171	448
	<b>26,616</b>	<b>27,839</b>
<b>Other income</b>		
Deposit interest	3,146	3,003
Underwriting commission	13	16
Stock lending fees	–	2
	<b>3,159</b>	<b>3,021</b>
<b>Total income</b>	<b>29,775</b>	<b>30,860</b>
<b>Total income comprises:</b>		
Dividends including special dividends of £926,000 (1999 – £2,204,000)	26,547	27,694
Interest	3,215	3,148
Other income	13	18
	<b>29,775</b>	<b>30,860</b>
<b>Income from investments:</b>		
Listed UK	16,818	18,750
Listed overseas	9,691	8,655
Unlisted	107	434
	<b>26,616</b>	<b>27,839</b>

2. EXPENSES	2000 £'000	1999 £'000
Staff costs (Note 3)	1,790	2,054
Auditors' remuneration for audit	19	18
Other expenses	2,045	1,813
AITC its campaign	714	582
	<b>4,568</b>	<b>4,467</b>

Since 1 November 1999 eligible expenses have been charged one-third to revenue and two-thirds to capital.  
Auditors' remuneration for non-audit services totalled £51,000 (1999 – nil).

3. STAFF COSTS	2000 £'000	1999 £'000
Salaries	1,353	1,190
Social security costs	152	123
Pensions and post-retirement benefits	285	741
	<b>1,790</b>	<b>2,054</b>

The average monthly number of persons employed during the year was:

	2000 Number	1999 Number
Investment	10	10
Administration	15	15
	<b>25</b>	<b>25</b>
<b>Directors' remuneration:</b>		
Fees for services as directors	£114,750	£114,750
Chairman and highest paid director	£24,750	£24,750
Other directors – number in range £10,001 – £15,000	6	6

**4. PENSION SCHEME**

The company provides for its employees a defined benefit pension scheme based on final salary. The assets of the scheme are held separately from those of the company. The fund is under the control of trustees and is administered by a life assurance company.

The pension cost charge for the period was £270,000 (1999 – £725,000). The pension cost charge is determined by a qualified actuary on the basis of triennial valuations. The charge for 2000 is based on a triennial valuation as at 1 August 1999. The attained age method was used. The most significant assumptions were that the rate of return on investments would be 8½% and that the rate of increase of salaries would be 6½%. The actuarial value of the assets at 1 August 1999 represented 102% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensioners and former members as well as benefits based on service completed to date for active members allowing for future salary rises. The market value of the scheme assets at 1 August 1999 was £5,672,000.

<b>5. INTEREST PAYABLE</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
On debentures, bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	309	1
Repayable wholly or partly in more than 5 years	11,355	6,688
Amortisation of secured bond issue expenses	91	–
	<b>11,755</b>	<b>6,689</b>

Since 1 November 1999 interest has been charged one-third to revenue and two-thirds to capital.

<b>6. TAX ON ORDINARY ACTIVITIES</b>	<b>2000</b>	<b>1999 (Restated)</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax at 30% (1999 – 30.4%)	–	140
Overseas taxation	1,798	1,783
Relief for overseas taxation	(679)	(789)
Deferred taxation	(6)	(34)
	<b>1,113</b>	<b>1,100</b>
Tax relief credited to capital reserve	1,655	1,552
	<b>2,768</b>	<b>2,652</b>

<b>7. DIVIDENDS AND OTHER APPROPRIATIONS</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Dividends on non-equity stock:		
– 3.5% cumulative preferred stock	–	40
– 3.85% cumulative preferred stock	–	20
– 4.55% 'A' cumulative preference stock	–	35
	–	95
Dividends on equity stock:		
– ordinary - interim paid of 2.27p per unit (1999 – 2.20p)	5,797	6,236
– ordinary - second interim declared of 4.63p per unit (1999 – final 4.45p)	11,659	12,280
– 1999 final dividend on ordinary stock repurchased	(138)	–
	<b>17,318</b>	<b>18,516</b>

<b>8. INVESTMENTS</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Investments listed on a recognised investment exchange	1,493,084	1,299,974
Unlisted investments	56,934	38,709
Subsidiary undertakings (Note 9)	103	12
	<b>1,550,121</b>	<b>1,338,695</b>

8. INVESTMENTS continued	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total 2000 £'000
Opening book cost	391,425	451,539	27,204	870,168
Opening unrealised appreciation	272,156	184,854	11,517	468,527
Opening valuation	663,581	636,393	38,721	1,338,695
Movements in the year:				
Purchases at cost	193,566	291,771	16,496	501,833
Sales – proceeds	(181,154)	(277,880)	(11,784)	(470,818)
– realised gains on sales	53,983	78,413	956	133,352
Increase in unrealised appreciation	18,352	13,994	14,713	47,059
Transfers	–	2,065	(2,065)	–
Closing valuation	748,328	744,756	57,037	1,550,121
Closing book cost	457,820	545,908	30,807	1,034,535
Closing unrealised appreciation	290,508	198,848	26,230	515,586
	748,328	744,756	57,037	1,550,121

	2000 £'000	1999 £'000
Realised gains on sales	133,352	105,380
Increase in unrealised appreciation	47,059	114,469
Gains on investments	180,411	219,849

Stock lending details:	2000 £'000	1999 £'000
Aggregate value of securities on loan at year end	–	–
Maximum aggregate value of securities on loan during the year	–	2,820
Fee income (gross) from stock lending during the year	–	2

A geographical analysis of the investment portfolio, an analysis of the investment portfolio by broad industrial or commercial sector, and a full list of investments by market value, are contained within the annual report.

Unlisted investments include the following:

- Heritable property valued at £700,000 (1999–£700,000). The property was valued on an open market basis by Ryden, chartered surveyors, on 3 November 1998.
- Property loans totalling £100,000 (1999–£100,000) in respect of the following related parties: Ian McLeish, Donald Ness and Iain Harding who form part of the key management of the company. Standard securities are held for all loans outstanding.

## 9. SUBSIDIARY UNDERTAKINGS

The company has investments in the following subsidiary undertakings:

Name of undertaking	Principal Activity	Country of incorporation and operation	Description of shares held	Proportion of nominal value of issued shares and voting rights held
Hurtree Limited	Investment	UK	Ordinary	100%
SIT Savings Limited	Investment products	UK	Ordinary	100%

The accounts of these subsidiaries have not been consolidated with those of the parent company as, in the opinion of the directors, the amounts involved are not material. The directors are satisfied that the valuation of the subsidiaries reflects and does not exceed the value of the underlying assets.

**10. SIGNIFICANT INTERESTS**

Details of investments in which the company has an interest of 10% or more of the nominal value of the allotted shares of any class, or of the net assets, are as follows:

Name of undertaking	Country of incorporation and operation	Description of shares held	Percentage held	Aggregate capital and reserves £'000	Loss after tax for year £'000
Sprout Growth Limited	Inc Cayman Islands operating in USA	ord shares of US\$1	49.7	1,205	28
		part red pref shares of US\$0.01	49.7		

11. DEBTORS	2000 £'000	1999 £'000
Amounts due from brokers	7,206	2,359
Overseas tax recoverable	594	1,281
Prepayments and accrued income	2,673	2,656
ACT receivable	603	821
	<b>11,076</b>	<b>7,117</b>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000 £'000	1999 £'000
Amounts due to brokers	3,378	1,541
UK corporation tax payable	97	1,063
Dividends	11,659	12,280
Other creditors	2,287	911
Bank overdraft	1,369	-
	<b>18,790</b>	<b>15,795</b>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2000 £'000	1999 £'000
4% perpetual debenture stock	350	350
4 <sup>1</sup> / <sub>4</sub> % perpetual debenture stock	700	700
5% perpetual debenture stock	1,009	1,009
10 <sup>7</sup> / <sub>8</sub> % debenture stock 30/4/2019	25,000	25,000
7 <sup>3</sup> / <sub>4</sub> % debenture stock 25/9/2013	50,000	50,000
5 <sup>3</sup> / <sub>4</sub> % secured bonds due 17/4/2030	145,078	-
	<b>222,137</b>	<b>77,059</b>

The debenture stocks and secured bonds are secured by a floating charge over the assets of the company.

14. CALLED-UP SHARE CAPITAL	Authorised		Issued	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Ordinary stock units of 25p	85,500	85,500	62,951	68,988
Number of ordinary stock units in issue			251,806,371	275,953,000

24,146,629 ordinary stock units were repurchased in the stockmarket during the year to 31 October 2000 at a total cost of £104,864,000. No repurchases were made between 31 October and 31 December 2000.

15. RESERVES	Share premium account £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
Beginning of year	39,922	1,872	695,282	468,528	12,494
Exchange difference	–	–	(794)	–	–
Net gain on realisation of investments	–	–	133,352	–	–
Increase in unrealised appreciation	–	–	–	47,059	–
Ordinary stock repurchased	–	6,037	(104,864)	–	–
Interest and expenses charged to capital in current year	–	–	(8,326)	–	–
Adjustments for previous year's interest and expenses charged to capital	–	–	(5,053)	–	5,053
Transfer to reserves	–	–	–	–	3,348
End of year	39,922	7,909	709,597	515,587	20,895

16. RECONCILIATION OF MOVEMENTS IN STOCKHOLDERS' FUNDS	2000 £'000	1999 £'000
Opening equity stockholders' funds	1,287,086	1,095,685
Total recognised gains	191,957	239,127
Dividend payments	(17,318)	(18,516)
Ordinary stock repurchases and premiums on repayment of preference stock	(104,864)	(29,210)
Closing equity stockholders' funds	1,356,861	1,287,086

#### 17. NET ASSET VALUE PER ORDINARY STOCK UNIT

Basic net asset value per ordinary stock unit is based on net assets after deducting long term borrowings at book value and on the number of ordinary stock units in issue at the year end.

Reconciliation of movement in NAV per ordinary stock unit:	p
Opening NAV	466.41
Total return per ordinary unit	73.65
Dividend per ordinary unit	(6.90)
Adjustments for 1999 final dividend on stock repurchased	0.05
Adjustment for change in issued ordinary stock during year	5.64
Closing NAV	538.85

#### 18. ANALYSIS OF CHANGES IN NET DEBT DURING THE YEAR

	At 1 November 1999 £'000	Cash flows £'000	At 31 October 2000 £'000
Cash at bank	12,069	(2,978)	9,091
Bank overdraft	–	(1,369)	(1,369)
Short term deposits	22,059	5,441	27,500
Debt due after one year	(77,059)	(145,078)	(222,137)
	(42,931)	(143,984)	(186,915)

19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS	2000	1999
	£'000	£'000

Contingencies, guarantees and financial commitments of the company at the year end, which have not been accrued, are as follows:

Commitments to provide additional funds to investees	15,961	14,061
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## 20. FINANCIAL INSTRUMENTS

In pursuing its investment policy the company holds certain financial instruments, comprising equity and non-equity shares, fixed income securities, interests in limited liability partnerships, cash and liquid resources. These are financed through stockholders' funds and long and short term borrowings.

The risks faced by the company and the strategies for managing them are identified below.

- **Investment risk and market price risk.** The holding of securities and investing activities involve certain inherent risks. Events may occur within the underlying investments which affect their value and they are also sensitive to movements in market levels. The company holds a portfolio which is well diversified across industrial and geographical areas to help minimise these risks. It may also use derivatives. Trading in derivatives is not within the normal activities of an investment trust nor is it the company's policy to trade in such instruments. However, from time to time the company may wish to use such instruments in order to protect against a specific risk or to facilitate a change in investment policy such as the movement of funds from one area to another. No such transaction may take place without the prior authorisation of the board and no such transaction took place during the year.
- **Interest rate risk.** The company finances its operations through a combination of investment realisations, retained revenue reserves, bank credit facilities and debenture stocks. All of the existing debenture stocks are at fixed rates. The company has undrawn short term multicurrency line of credit facilities which can be drawn at variable rates of interest.
- **Liquidity risk.** The majority of the company's assets comprise listed securities which represent a ready source of funds. In addition the company has access to short term borrowing facilities.
- **Foreign currency risk.** Approximately half of the company's assets are invested overseas which gives rise to a currency risk. This risk is monitored by the managers on a daily basis and by the board monthly. From time to time specific hedging transactions are undertaken although none was in place at the year end. The company's overseas income stream is subject to currency movements which are not hedged.

## 21. FINANCIAL ASSETS

The company's portfolio investments are listed on pages 37 and 38. A geographical distribution is given on page 3 and a sector distribution appears on page 23. Cash and deposits are held at fixed and floating rates in the following currencies:

	Fixed £'000	Floating £'000	Total £'000
Sterling	27,500	2,512	30,012
Swiss francs	–	2,493	2,493
Euro	–	2,233	2,233
US dollar	–	1,849	1,849
Other	–	4	4
	27,500	9,091	36,591

The maximum fixed period for deposits outstanding at the year end was one week.

## 22. FINANCIAL LIABILITIES

The company's long term borrowings as detailed in note 13 are denominated in Sterling and carry interest at fixed rates. The secured bond and two debentures with fixed maturities have a weighted average life of 24.5 years and are stated in the balance sheet at book value. Restating them at estimated market value would have the effect of reducing the year end NAV per ordinary stock unit from 538.9p to 535.1p. Based on the market price of 457p the discount to NAV at the year end would be reduced from 15.2% to 14.6%.

## 23. DIRECTORS' INTERESTS

The interests of the directors and their families in the company's capital are as follows:

Beneficial interests	Ordinary stock units of 25p	
	31 October 2000	1 November 1999
Sir Angus Grossart	7,920	7,862
Sir George Mathewson	364	360
F Finlay	10,000	10,000
I H Leslie Melville	10,000	10,000
I M Russell	15,984	8,402
D C P McDougall	10,000	10,000
Sir Paul Nicholson	3,000	3,000

There have been no changes in the directors' interests between 31 October and 31 December 2000.