

BRITISH ASSETS TRUST PLC

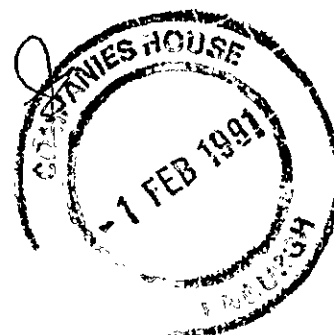
1990 ANNUAL REVIEW & REPORT



Aims to provide
shareholders with
growth in real
income and a
consequent increase
in capital value from
an international
equity portfolio.



IVORY & SIME



YEAR UNDER REVIEW

October

'Mini-crash' on Wall Street spreads through global equities on 'Grey Monday'.

November

Breaching of Berlin Wall symbolises opening of Eastern Europe.

December

Japanese stockmarket closes year with Nikkei Index at all time high of 33,915.87.

January

FT-Actuaries All-Share Index reaches all-time high of 1,226.8.

February

British Assets Trust announces an increased first quarterly dividend of 0.925p.

March

Japanese stockmarket shows 20 per cent decline in first quarter of year.

April

British Assets Trust announces an increased second quarterly dividend of 0.95p.

May-July

Global stockmarkets make modest headway despite continuing interest rate and foreign exchange uncertainties. Dow Jones Index briefly breaches 3000 but sets all-time record close of 2,999.75 on 16 July

August

Iraqi invasion of Kuwait provokes Middle East crisis, escalation of oil price and sharp falls in equity markets.

British Assets Trust announces an increased third quarterly dividend of 0.975p.

September

Company's year-end coincides with near-panic selling in stockmarkets, reminiscent of 'Grey Monday' some twelve months previously.

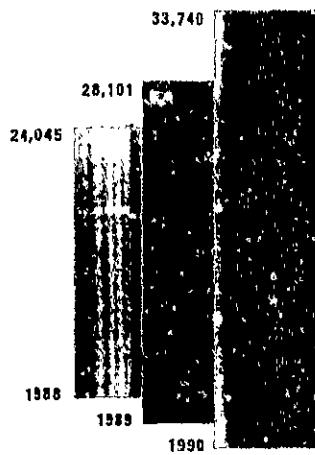
October

United Kingdom joins Exchange Rate Mechanism of the European Monetary System.

British Assets Trust announces an increased final quarterly dividend of 1.0p.

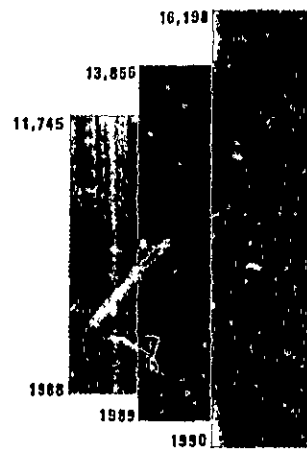
FINANCIAL HIGHLIGHTS

**TOTAL INCOME
(£000)**



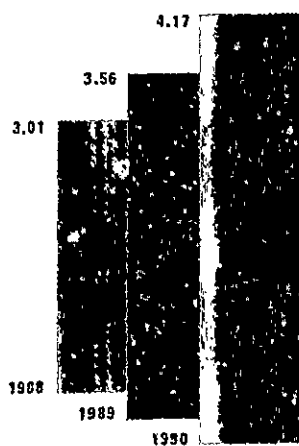
INCREASE 40%

**REVENUE AFTER TAX
(£000)**



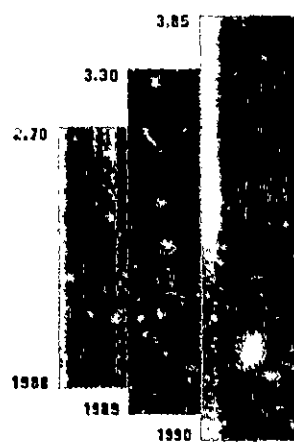
INCREASE 38%

**EARNINGS PER SHARE
(PENCE)**



INCREASE 38%

**ANNUAL DIVIDENDS
(PENCE)**



INCREASE 43%

CHAIRMAN'S STATEMENT

I am pleased to report that total dividends paid by your Company in respect of the year just completed have increased by 16.7 per cent, which compares with the recently announced inflation rate in the United Kingdom of 10.9 per cent. The proposed final quarterly dividend of one penny represents an increase of 14.3 per cent over the quarterly dividend for the same period last year and indicates, barring unforeseen circumstances, a minimum payment for the year to 30 September 1991 of 4 pence. Your Company has therefore continued its record of achievement in terms of providing shareholders with sustained growth in real income. However, it is disappointing to note

that once again the net asset value per share of the Company has failed to match the performance of the United Kingdom stockmarket. Over twelve months, the Company's net asset value has fallen by 22.3 per cent compared to a decline of 17.7 per cent in the FT-Actuaries All-Share Index and a 24.4 per cent Sterling decline in the S&P Composite Index, representing the two major markets in which your Company invests. Your Board recognises that, although the Company's primary objective is enhancement of shareholders' income, this cannot be without regard for the underlying capital performance of the assets in which the Company is invested. The decade of the eighties was in fact a period in which capital growth from the United Kingdom stockmarket significantly exceeded dividend growth. As a result it is perhaps not surprising that an investment trust with an income growth philosophy might during the 1980's have done less well in capital terms than one pursuing an outright capital growth objective. Nonetheless the Board and Managers of your Company are conscious that ultimate shareholder value is a function of total return and will therefore endeavour to strike a more appropriate balance between income and capital growth. The question of the Company's investment philosophy is discussed in more detail in the Managers' Review. The year under review has been nothing short of tumultuous in terms of the political



J C R Inglis

CHAIRMAN'S STATEMENT

changes that have reverberated around the globe. The twilight of the eighties witnessed a symbolic event in the dismantling of the Berlin Wall that heralded a new dawn in the relationship between what had previously been characterised as the Capitalist and Communist worlds. It is therefore all the more disappointing to reflect that, as I write, the world is once more faced with major geo-political uncertainty following the Iraqi invasion of Kuwait. We have turned full circle from perhaps excessive optimism last November to undue pessimism twelve months' later.

The shift in focus of global affairs from Eastern Europe to the Middle East has had repercussions at both the macro-economic and stockmarket level.

Whereas the demise of Communism was originally expected to usher in a new period of growth, particularly for Continental Europe, the actions of Saddam Hussein have provoked serious consideration as to whether the world faces recession once more. In stockmarket terms, although your Company's year began amid the uncertainty of a 'mini-crash' emanating from Wall Street, it was not long before a number of stockmarkets were challenging the all-time highs last seen before the Crash of October 1987. Yet as I write, we have witnessed a precipitate fall in most stockmarkets subsequent to developments in the Middle East. It is my belief that the Iraqi invasion merely acted as a catalyst for reassessment of global economic prospects and was not in itself the cause of declining share prices. I have asked your Company's Managers to consider this point in more detail in their annual review.

On a more parochial matter the year has not been without incident for the investment trust industry. I refer, of course, to the bitterly contested takeover bid for Globe Investment Trust by the British Coal Pension Fund. This matter once again raised the issue of the competing interests of private shareholders and institutions as regards investment trusts. You will recall that your Board has actively promoted the ownership of investment trusts

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CHAIRMAN'S STATEMENT

as an ideal savings medium for private individuals, while recognising the worth of such vehicles to institutions such as pension funds and insurance companies. I am encouraged that over the last twelve months we have welcomed an additional 600 individuals to the Company as shareholders swelling the total number to 18,400. The continued growth of schemes targeted at private individuals such as savings schemes, PEPs and The I & S Investment Trust Purchase Scheme augurs well for the future of popular capitalism. The current mood of global equity markets is one of profound uncertainty not only with regard to developments in the Gulf but also in respect of the health of the major

developed economies. Specifically in the United Kingdom, a regime of high interest rates has taken its toll on economic activity, without any apparent amelioration of the problem of inflation. Even the surprise timing of entry into the Exchange Rate Mechanism of the European Monetary System has seen short-term euphoria evaporate into concern for the longer-term economic implications. The corporate sector is exhibiting many of the symptoms of recession, pedantic definitions notwithstanding, with earnings disappointments and downgrades a recurrent theme. Yet dividend growth in the United Kingdom remains more robust: recent figures show industrial earnings 8 per cent ahead of the previous year's out-turn, with dividends exhibiting 13 per cent growth. Although one must be careful in extrapolating

these trends in such an uncertain environment, it does appear that dividend growth will to an extent cushion the effects of a difficult stockmarket. Accordingly your Board considers that the policy of British Assets Trust, in seeking to achieve real income growth and a consequent increase in capital value, is well suited to present circumstances.

Future Dividend Payments

Ordinary dividends to be paid for the year to 30 September 1991 have been provisionally set for the following dates:

First Quarter	8 April 1991
Second Quarter	8 July 1991
Third Quarter	7 October 1991
Final	7 January 1992



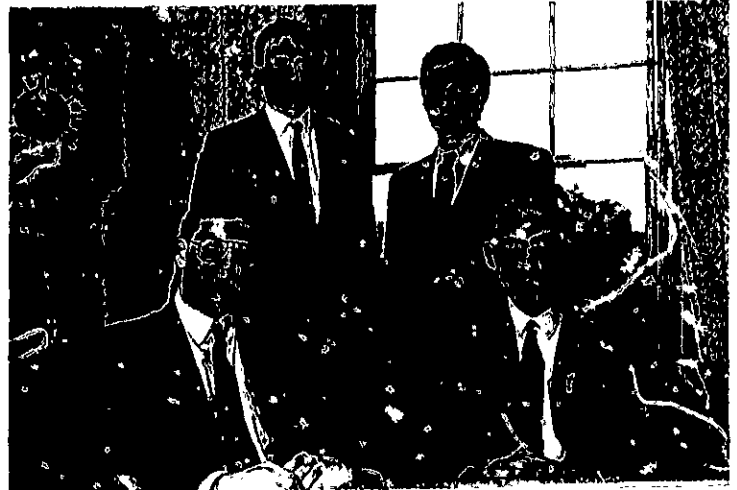
19 November 1990

MANAGERS' REVIEW

GLOBAL ECONOMIC AND STOCKMARKET OUTLOOK

If one had ever doubted that uncertainty was the mortal enemy of equity markets, the reaction of share prices to events in the Gulf has provided ample evidence to reinforce the view. With political analysis of the situation providing few clues as to its immediate outcome, the speed and magnitude of adjustment have dwarfed any rational expectation of the purely economic consequences of the oil price gyrations. Nor can such a reaction be explained solely in terms of increased risk premia; rather there has been a belated realisation that, prior to the crisis, stockmarkets had been overvalued, in fact doubly so. First, in relation to bonds, equities had achieved levels inconsistent with basic yield comparisons—absolutely, historically and prospectively; second, the degree of vertitude attached to earnings forecasts has now diminished and all but disappeared under a welter of global downgrades. Only in revising inflationary expectations upwards through the impact of his actions on the oil price can Saddam Hussein be legitimately charged with causing the stockmarket debacle, otherwise the word catalyst is an entirely more appropriate characterisation of his impact.

We are not witnessing a third oil price shock—in the sense that 1973/4 and 1979/80 were so characterised—for a number of reasons. First, the quantitative significance of energy to western economies has declined as a consequence, at least partially, of the lessons learnt during the previous crises: the total energy to GDP ratio is down by a fifth over the period 1973–1988 and that of oil to GDP by more than a third. The stage of the economic cycle is



From left to right: Tim Maxwell, Peter Hewitt, Ian Paterson Brown and Michael Woodward

STOCKMARKET REACTION TO THE GULF CRISIS

Market	% Change 31 July 1990– 30 September 1990
USA	(14.05)
United Kingdom	(15.57)
Hong Kong	(20.99)
France	(23.50)
Switzerland	(24.03)
Italy	(24.79)
Spain	(28.01)
Japan	(29.75)
Germany	(30.83)

Source: FT-Actuaries' World Indices (1 = 1 Currency)

MANAGERS' REVIEW

also radically different: previously inflation was already high (with a particularly strong increase in commodity prices), wages were growing at an excessive rate and world economies were exhibiting concerted growth. Although there are today isolated illustrations of these elements of the cycle, in general the world economy presents a somewhat different picture. Finally, the economics—as opposed to the geo-politics of the oil price—are less compelling, albeit justifying a gradual increase in real terms. In overall cost terms, the US is most exposed to energy usage, with the category accounting for 5 per cent of national output, against 3.5 per cent in the European Community and 2 per cent in Japan. However, due to a greater scope for redistribution within the internal economy—essentially the existence of domestic energy production—the impact on real income is less in the US than the other two major economic powers, shading 0.25 per cent off economic growth compared to 0.5 per cent in the European Community and Japan. This, however, must be seen in the context of the likely monetary policy response. The first oil shock was met with a loose policy that presaged inflation, the second, a tight response, that heralded recession; the situation this time is far from straightforward given the current global split between the more-than-adequate growth rates of Japan and Germany and the near-recessionary state of the UK and US. Given the former grouping's scope to accommodate a degree of economic slowdown, curbing inflation is by far the priority, as illustrated by recent increases in interest rates. Conversely, the US and UK are able to contemplate an easing of policy: the former in recognition of the parlous state of its economy and financial system, the latter consistent with the political, if not economic, panacea of entry into the Exchange Rate Mechanism of the European Monetary System.

Although expectations of war in the Middle East act as a powerful disincentive to equity investment, the fundamental reasons for caution in this regard lie with the lack of global earnings dynamism and the prospect of rising inflation and, consequently, interest rates. For the former, the overall slowing of activity in an admittedly unsynchronised collection of economies is having a predictable—in direction, if not magnitude—effect on the underlying micro realm, particularly in the context of higher interest charges, increasingly vociferous wage demands and, crucially in Europe, uncompetitive currencies. In terms of inflation and interest rates the picture is less clear, given differing—and not necessarily mutually compatible—political agendas of those who shape global monetary policy. Yet, in accepting the argument for slowing earnings and dividend growth, greater sensitivity is implicitly apportioned to interest rate expectations in determining stock price movements through variations in multiple levels.

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Notwithstanding the 'panic' injection post the Crash of October 1987, considerations of total international liquidity evidence a three year credit squeeze bearing deflationary pressure—in demand-pull terms—on the world economy. Since mid 1987, OECD money supply growth has been less than nominal GDP growth, driving real interest rates to substantial levels prior to any revision in cost-push inflationary expectations. Indeed, there is a case to be made that, even with such expectations, bond yields at the long end allow reasonable real returns and thus bond markets in themselves may not trigger further equity de-ratings. However, price is of course a function of supply and demand such that current yields no doubt take note of a deteriorating worldwide savings picture. Both the US, more used to it, and Germany, as a recent novelty, face the rigours of deficit financing, whereas the UK and Japan preside over eroding budget surpluses. Such competition for capital suggests cyclically higher interest rates in the early part of the decade which, with slowing economic growth as both a coincidence and corollary, remove yet more support from equity markets.

In subscribing to a general view of high real long-term interest rates yet easing at the short end, the global economy is characterised as expecting sluggish growth and highish inflation. On the assumption, not without risk, that tightness in monetary policy does not spill over into asset deflation, such an environment is typically one to prompt bond investment, particularly when bonds look cheap anyway relative to equities in both an absolute and historic context. Only in the UK is the point to be clarified: with the bond/equity yield ratio dropping below two and a reasonable expectation of inflation falling, even as earnings do likewise, UK equities can be perceived in a positive light. Elsewhere, notwithstanding the magnitude of recent corrections, equities may have to become somewhat cheaper still in order to translate 'fair' value into a compelling investment case versus alternative asset classes.

The Gulf crisis has drawn attention to trends already in place, both in the economy and in financial markets, which share prices had been reluctant to acknowledge in the early part of the year, as they had continued their seemingly inexorable rise to new heights. This Review has concentrated in more detail than is normally the case on the broad economic and financial implications of these trends and, overall, the assumption of continuing high real long-term interest rates draws little comfort for equities at current levels. Although the United Kingdom does exhibit some reassuring defensive attractions in this context, the implied cost of ERM entry in the medium-term will serve to dampen any expectations of its short-term efficacy. That said, it has been noticeable that, even as corporate earnings have slowed

MANAGERS' REVIEW

markedly in the United Kingdom over the last six months, dividend growth has continued at higher levels, as the table opposite shows.

If earnings are typically a lagging indicator and dividends a leading indicator—norwithstanding a commonly-heard view that the latter currently owe rather more to fear of takeover than expectations of an improved operating environment—then the United Kingdom stockmarket remains fertile ground for a company, such as British Assets Trust, pursuing an income growth policy. Yet the 'cult of equity' is increasingly a global phenomenon, such that both companies and shareholders alike are paying more

OVERSEAS QUOTED HOLDINGS as at 30 September 1990			
Company	Valuation £'000	% of Total Assets	Main Activity
NORTH AMERICA		17.42	
GBC North American Fund*	28,255	6.18	Small company fund
Ameritech	4,236	0.93	Telephone services
Philip Morris	3,263	0.71	Tobacco, food
Bristol-Myers Squibb	3,085	0.67	Pharmaceuticals
Block (H & R)	2,955	0.64	Tax consultancy
Dun & Bradstreet	2,804	0.61	Electronic information
Merck	2,521	0.55	Pharmaceuticals
Keystone International	2,499	0.55	Oil service equipment
IBM	2,273	0.50	Computer manufacturing
Consolidated Natural Gas	2,298	0.49	Gas distribution systems
Mobil	2,216	0.48	Oil
Alltel	2,133	0.47	Telephone utility
Westinghouse Electric	2,066	0.45	Electrical equipment
Bellsouth	1,958	0.43	Telephone services
Deluxe Corporation	1,827	0.40	Printing
Du Pont	1,764	0.39	Chemicals
Lance	1,759	0.38	Food manufacturing
City National	1,723	0.38	Banking
Amoco	1,667	0.36	Oil
Utilicorp	1,462	0.32	Gas and electricity utility
Melville	1,430	0.31	Retail stores
Ogden	1,382	0.30	Plant and building maintenance
Consolidated Edison	1,346	0.29	Electric utility
Witco	1,180	0.26	Specialty chemicals
United Industrial	1,076	0.24	Defence equipment
WDA0	1,001	0.22	Specialty chemicals
Shear's Holding	911	0.20	Auctioneer
Norstar Financial	849	0.19	Banking
Fargo	733	0.16	Banking
INDIA and AUSTRALASIA		1.72	
HK Telecommunications	2,990	0.65	Telephone utility
BTR Nylex Conv Note	2,503	0.55	Industrial conglomerate
TVB	2,395	0.52	TV broadcasting
EUROPE		0.93	
Canal Plus	3,940	0.88	} Pay TV broadcaster
Canal Plus Conv Bond	311	0.07	

*Held for conversion of the 6 per cent Unsecured Loan Stock 1995.

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regard to dividend levels as the appropriate return by which to compensate for the risk of investment in shares. For overseas companies, the best prospects for dividend growth tend to be amongst those with a

UNITED KINGDOM CORPORATE EARNINGS AND DIVIDEND GROWTH

(% increase year on year)	Earnings	Dividends
1989 September	19	18
October	19	15
November	19	17
December	17	16
1990 January	17	17
February	19	17
March	18	18
April	17	17
May	17	17
June	15	16
July	13	16
August	10	15
September	8	13

Source: County NatWest WoodMac

relatively low yield—by UK standards—predictable earnings growth and a moderate level of payout.

The current yield of British Assets Trust and the flexibility inherent in its structure should be such as to allow it to maintain and increase its overseas emphasis without compromising its stated primary objective of increasing the level of dividend payments to shareholders. With an international portfolio diversified into North America, Europe, the Far East and Australasia, the foundations have been laid from which to increase the overseas representation in the portfolio. Although the substance of this Review has necessarily dwelt on issues of global import, pursuit of this policy in future

years should provide ample scope for more detailed discussion of the individual components of the Company's overseas portfolio, presently structured as shown opposite.

INVESTMENT PHILOSOPHY

In 1974, British Assets Trust adopted its current policy of aiming to provide shareholders with a growing income stream from an international equity portfolio, implying an emphasis on growth of earnings in order to produce an increase in dividend payments. Although not explicit in this policy, there was implicit in its acceptance the belief that the basic value of equities lies in their dividend potential over the long-term. This so-called dividend discount analysis of share prices should in theory ensure that the capital value of the portfolio is not compromised by a focus on income. Indeed, as the graph overleaf shows, over the last forty calendar years the nominal returns from the United Kingdom equity market have been identical in terms of capital and income growth. Yet expressing these returns in tabular form

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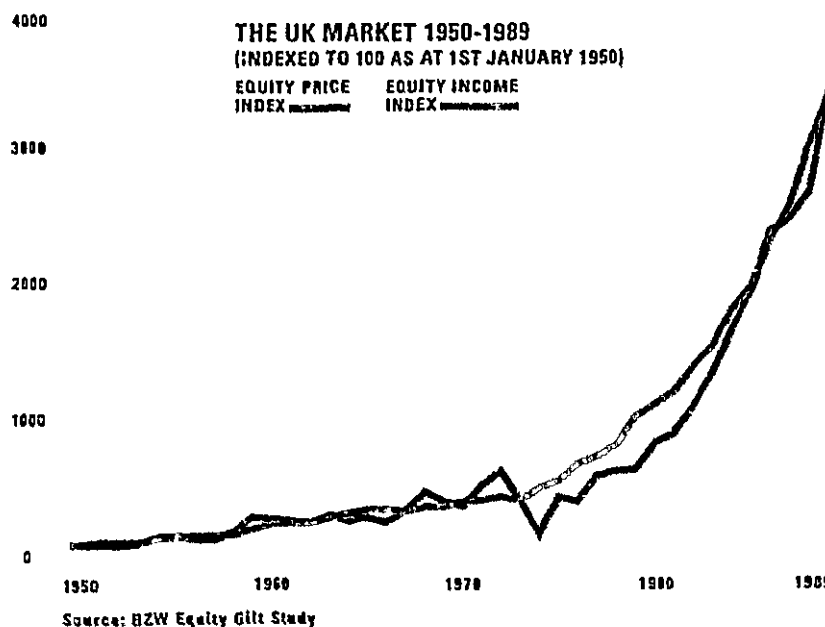
SHOWING IN THE UK EQUITY MARKET 1950-1989		
Nominal Return in Period	Annualised Capital Growth	Annualised Dividend Growth
1950-59	11.9%	8.2%
1960-69	3.1%	5.7%
1970-79	4.9%	10.7%
1980-89	17.6%	12.4%
1950-89	9.2%	9.2%

Source: BZW Equity Gilt Study

illustrates that, notwithstanding the identity of 9.2 per cent annualised growth over the forty-year period, wide divergences are evident between capital and income in the four decades that constitute this particular 'long-term'.

Analysis of this nature is crude and over-simplistic, yet serves to make the point that, over even reasonably extended periods, there is neither

correlation nor causality in the relationship between share price movements and dividend payments. However, it remains central to the investment philosophy of the Company that a policy of pursuing dividend growth from equities will ultimately produce an enhancement of the capital value of those equities. Assuming that the discount to assets at which the Company's shares trade remains constant, total return to shareholders should consist of equal elements of capital and income growth, over the



MANAGERS' REVIEW

long-term. With 1990 likely to be only the second calendar year since the Company's change of policy in which the United Kingdom stockmarket will have fallen, it is relevant to review the Company's asset performance since 1974 in terms of both capital and income growth. Although the correlation is less than perfect, there is somewhat more support here for the dividend discount model than in discrete analysis of single-year periods.

Over the last twelve months, the net asset value per share of the Company has fallen by 22.3 per cent whereas the dividend paid to shareholders has increased by 16.7 per cent. The net effect of this discrepancy between capital and income returns has been to increase the yield on the portfolio from 4.57 per cent to 6.86 per cent which, when expressed relative to the yield on the FT-Actuaries All-Share

Index, has moved that ratio from 108 to 117. As discussed at some length in last year's Managers' Review, the implementation of the Company's investment philosophy owes much to a 'yield relative' discipline, wherein inefficiencies in the market valuation of a company's income prospects are exploited in an attempt to achieve above-average returns. Furthermore, the existence of the Company's Equities Index Unsecured Loan Stock, also detailed in the 1989 Review, offers further opportunities to benefit from above-average yields on United Kingdom equities. Such has been the uncertainty over the last twelve months that the

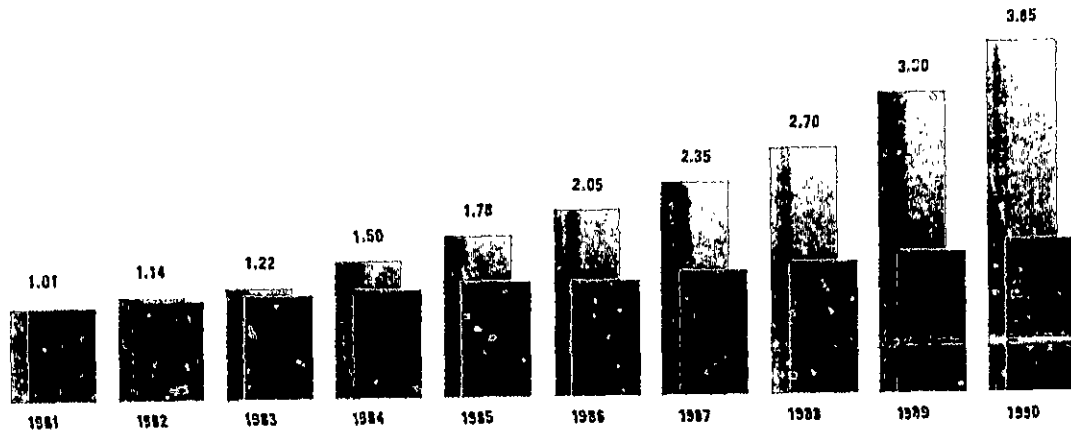
CAPITAL AND INCOME GROWTH 1974-1990		
Year to September	Dividend % Change	Net Asset Value % Change
1975	12.9	86.6
1976	14.3	33.6
1977	25.0	25.1
1978	20.0	13.9
1979	30.0	2.5
1980	21.8	12.7
1981	6.3	4.7
1982	12.9	11.1
1983	7.0	49.1
1984	23.0	18.9
1985	18.7	12.5
1986	15.2	21.5
1987	14.6	38.7
1988	14.9	(21.1)
1989	22.2	13.6
1990	16.7	(22.3)
Total 1974-Sept 1990	1,241.9	1,216.4

dividend yield on the UK stockmarket is currently at a level consistent with historic measures of cheapness. Although short-term volatility may persist, the long-term attractions of equities should not be ignored; in founding the objective of increased capital value on a clear philosophy of income growth, both theory and historic evidence suggest that the Company is well placed to benefit from the maintenance of its current policy.

19 November 1990

TEN YEAR DIVIDEND RECORD

DIVIDEND PER SHARE
(PENCE)

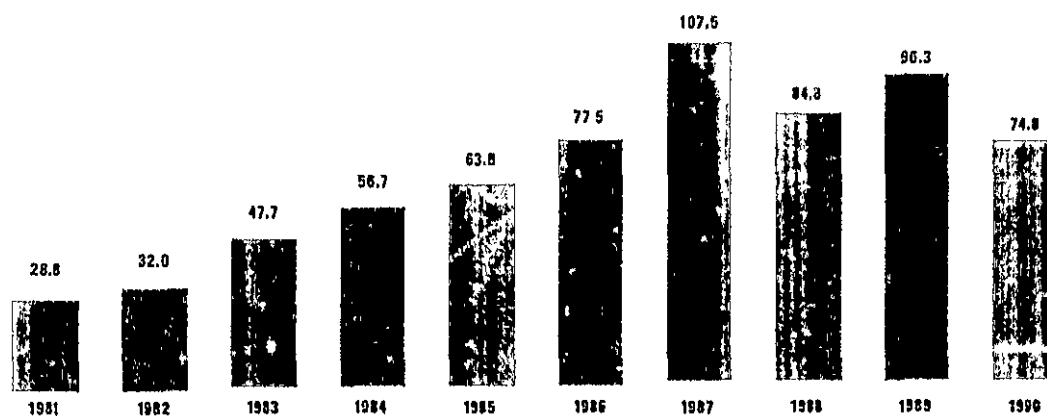


Dividend per share (pence)
 Retail Price Index (based to 100 in 1981)

YEAR	TOTAL INCOME (£'000)	REVENUE AFTER TAXATION (£'000)	EARNINGS PER SHARE (pence)	DIVIDEND PER SHARE (pence)
1981	8,781	4,413	1.11	1.01
1982	7,881	4,001	1.15	1.14
1983	8,737	4,922	1.23	1.22
1984	10,200	6,175	1.50	1.50
1985	11,894	7,114	1.78	1.78
1986	17,399	8,616	2.20	2.05
1987	20,173	9,944	2.40	2.35
1988	21,943	11,745	3.01	2.70
1989	28,101	13,856	3.56	3.20
1990	33,700	16,193	4.17	3.85

TEN YEAR CAPITAL RECORD

NET ASSET VALUE PER SHARE
(PENCE)



YEAR	TOTAL ASSETS (£'000)	ORDINARY SHAREHOLDERS FUNDS (£'000)	NET ASSET VALUE PER SHARE (pence)	SHARE PRICE (pence)
1981	121,817	114,242	28.8	23.3
1982	133,637	126,357	32.0	25.8
1983	199,165	191,853	47.7	30.3
1984	250,269	225,019	56.7	44.5
1985	271,692	245,150	63.8	51.8
1986	365,820	297,590	77.5	54.0
1987	521,312	412,782	107.5	88.0
1988	400,792	325,713	84.8	67.0
1989	602,416	369,740	96.3	82.3
1990	456,208	287,136	74.8	62.0

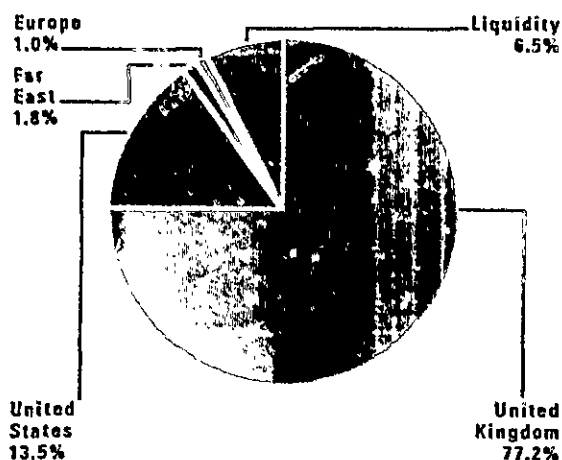
THIRTY LARGEST EQUITY INVESTMENTS

CONSOLIDATING INVESTORS CAPITAL TRUST

Company	Valuation £'000	% of Assets	Main Activity
1 British Gas	13,691	3.0	Gas utility
2 Bank of Scotland	13,454	2.9	Banking
3 British Telecom	13,162	2.9	Telephone utility
4 British Petroleum	12,920	2.8	Integrated oil company
5 Shell Transport & Trading	12,833	2.8	Integrated oil company
6 United Biscuits	10,892	2.4	Food manufacturing
7 BAT Industries	10,800	2.4	Tobacco and financial services
8 Prudential Corporation	10,754	2.4	Life assurance
9 Lloyds Abbey Life	9,290	2.0	Life assurance
10 BTR	9,190	2.0	Industrial conglomerate
Ten Largest Investments	116,986	25.6	
11 GEC	9,070	2.0	Electronics
12 Boots	7,668	1.7	Retailer
13 Sun Alliance	7,518	1.6	Composite insurance
14 Redland	6,906	1.5	Building materials
15 General Accident	6,268	1.4	Composite insurance
16 BICC	5,910	1.3	Industrial and electrical products
17 Hanson	5,730	1.3	Industrial conglomerate
18 Harrisons & Crosfield	5,659	1.3	International trader
19 Tarmac	5,173	1.1	Building and construction
20 Northern Foods	5,166	1.1	Food manufacturing
Twenty Largest Investments	182,054	39.9	
21 Thorn EMI	5,135	1.1	Television rental and lighting
22 BET	5,063	1.1	Corporate support services
23 Marks & Spencer	4,826	1.1	Retailing
24 Trafalgar House	4,761	1.0	Industrial conglomerate
25 Legal & General	4,644	1.0	Life assurance
26 ICI	4,627	1.0	Chemicals
27 United Newspapers	4,453	1.0	Publishing
28 Yorkshire Water	4,370	1.0	Water utility
29 GRE	4,354	1.0	Composite insurance
30 National Westminster	4,296	0.9	Banking
Thirty Largest Investments	228,583	50.1	

Excluding GBC North America Fund Inc held for conversion of the 6 per cent Unsecured Loan Stock 1995

GEOGRAPHIC BREAKDOWN



(Expressed as a percentage of Total Assets less Current Liabilities and the 6 per cent Unsecured Loan Stock convertible into common shares of GBC North America Fund Inc.)

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday 20 December 1990 at 12.30 pm at One Charlotte Square, Edinburgh.

SHARE INFORMATION

The Company's Ordinary Shares, Preference Stocks, 6 per cent Unsecured Loan Stock and Equities Index Unsecured Loan Stock 2005 are traded on the London Stock Exchange.

CAPITAL GAINS TAX VALUE

The undernoted values as at 31 March 1982 are to assist Shareholders with regard to capital gains tax.

Ordinary Shares	—23½p
3.15% Preference Stock	—29½p
'A' 3.50% Preference Stock	—32½p

GBC North America Fund Common Shares obtained as part of the offer by way of rights in December 1984 have a capital gains tax base value of 81 pence.

DIRECT RECEIPT OF DIVIDENDS

Shareholders may elect to have their dividends paid directly into their bank account rather than being issued with a cheque on a quarterly basis. This can be done by completion of a Dividend Mandate which is obtainable from Bank of Scotland, Registrar Department.

6 PER CENT UNSECURED LOAN STOCK 1995

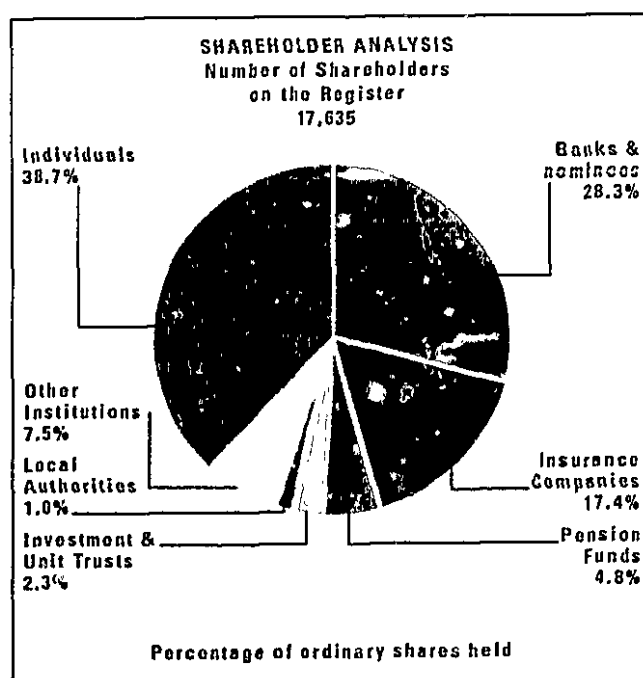
Every January until 1995 inclusive, stockholders can exercise their right to convert their Loan Stock into Common Shares of GBC North America Fund.

THE I&S INVESTMENT TRUST PURCHASE SCHEME ('ITPS')

ITPS was introduced in March 1989 to enable private investors and their advisers to buy and sell shares in investment trusts managed or advised by Ivory & Sime in a simple and efficient manner. Full details of the regular savings option and the single Investment option are available by phoning the Investor Services Department on 031-225 1357 or by writing to Ivory & Sime, One Charlotte Square, Edinburgh.

DAILY NET ASSET VALUE

The net asset value on a daily basis can be obtained by phoning the Investor Services Department at Ivory & Sime on 031-225 1357.



NOTICE OF MEETING

Notice is hereby given that the Ninety-Third Annual General Meeting of British Assets Trust Public Limited Company will be held at One Charlotte Square, Edinburgh, on 20 December 1990 at 12.30 pm for the following purposes:

ORDINARY RESOLUTIONS

1. To approve the Report and Accounts for the year to 30 September 1990 and declare a final quarterly dividend of 1.00p per share to be paid on the Ordinary 25p shares of the Company.
2. To re-appoint Dr C Masters, who retires at the first Annual General Meeting following his appointment, as a Director.
3. To re-elect Mr J C R Inglis, who retires by rotation, as a Director.
4. To re-elect Mr W R E Thomson, who retires by rotation, as a Director.
5. To re-appoint Ernst & Young, Chartered Accountants, as Auditors and to authorise the Directors to fix their remuneration.

By Order of the Board



Secretary

One Charlotte Square

Edinburgh EH2 4DZ

22 November 1990

The final quarterly dividend, if approved, will be paid on 4 January 1991

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not also be a member of the Company.

A Form of Proxy for use by Ordinary Shareholders is enclosed with this Report. Completion of the Form of Proxy will not prevent a Shareholder from attending the meeting and voting in person.

Preference Stockholders are not entitled to vote at the meeting.

CORPORATE INFORMATION

DIRECTORS

J C R Inglis, WS (Chairman)
P E G Balfour, CBE
Sir Robin Duthie, CBE, LLD, CA
Sir Charles Fraser, KCVO, WS, DL
Dr C Masters (appointed 22/2/90)
W R E Thomson, CA

SECRETARY

I J Paterson Brown, CA

REGISTERED OFFICE

One Charlotte Square,
Edinburgh EH2 4DZ

BROKERS

de Zoete & Bevan
Ebbgate House,
2 Swan Lane,
London EC4R 3TS
—
Bell Lawrie White
7 Drumsheugh Gardens,
Edinburgh EH3 7QH

REGISTRARS AND TRANSFER OFFICE

Bank of Scotland
26A York Place,
Edinburgh EH1 3EY
Tel. No. 031-442 7777

MANAGERS

Ivory & Sime plc
One Charlotte Square,
Edinburgh EH2 4DZ
Tel. No. 031-225 1357
Telex No. 727242
Facsimile No. 031-225 2375

AUDITORS

Ernst & Young
Chartered Accountants
17 Abercromby Place,
Edinburgh EH3 6LT

LEGAL ADVISERS

Shepherd & Wedderburn WS
16 Charlotte Square,
Edinburgh EH2 4YS

BANKERS

The Royal Bank of Scotland plc
62/3 Threadneedle Street,
London EC2R 9LA
—
Brown Brothers Harriman & Co.
59 Wall Street,
New York NY 10005
—
Bank of Montreal
129 St James Street,
Montreal H3C 3B1

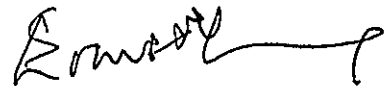
AUDITORS' REPORT

TO THE MEMBERS OF BRITISH ASSETS TRUST PUBLIC LIMITED COMPANY

22 November 1990

We have audited the accounts of British Assets Trust Public Limited Company which comprise the accounts of British Assets Trust Public Limited Company on pages 24 to 32 together with those of Investors Capital Trust Public Limited Company on pages 35 to 43 and those of GBC North America Fund Inc. on pages 2 to 6 of the enclosure, in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 30 September 1990 and of the net revenue and source and application of funds of the Company and the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants

Edinburgh

BOARD OF DIRECTORS



Roger Inglis (Chairman) is Chairman of Investors Capital Trust, I & S Optimum Income Trust and European Assets Trust. He is also a director of Scottish Provident Institution and Selective Assets Trust.

Peter Balfour is Chairman of Charterhouse, Selective Assets Trust and First Charlotte Assets Trust and a director of Investors Capital Trust. He recently retired as Vice-Chairman of The Royal Bank of Scotland.



Sir Robin Duthie is Vice-Chairman of the Scottish Advisory Board of British Petroleum. He is also a director of The Royal Bank of Scotland Group, Investors Capital Trust, Carclo Engineering Group and British Polythene Industries.

Sir Charles Fraser is a partner in W & J Burness, WS, an Edinburgh law firm. He is on the Boards of several companies including United Biscuits (Holdings), Scottish Widows' Fund and Life Assurance Society, Investors Capital Trust, Selective Assets Trust, Fidelity Pacific Fund and Fidelity Far East Fund.



Dr Chris Masters is Chief Executive of Christian Salvesen. Headquartered in Edinburgh, Christian Salvesen is an international company with extensive interests in contract distribution, frozen food processing and specialist equipment rental.

William Thomson is Chairman of Ben Line Group, an Edinburgh shipping company. He is a director of several companies including The Independent Investment Company, Investors Capital Trust, Selective Assets Trust and John Menzies.



DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The Directors submit the Annual Report and Accounts of the Company for the year ended 30 September 1990.

	£'000
The Revenue available for dividends was	16,198
Dividend for the year on the 3.15 per cent preference stock	(41)
Dividend for the year on the 'A' 3.30 per cent preference stock	(139)
	£15,018
Dividends on Ordinary Shares:	
First Quarterly Interim Dividend of 0.925p per share paid 9 April 1990	(3,552)
Second Quarterly Interim Dividend of 0.95p per share paid 9 July 1990	(3,648)
Third Quarterly Interim Dividend of 0.975p per share paid 8 October 1990	(3,744)
Proposed Final Quarterly Dividend of 1.00p per share payable 4 January 1991 to Shareholders on the Register at close of business on 6 December 1990	(3,840)
Transferred to revenue reserve	£12,234

PRINCIPAL ACTIVITY AND STATUS

The Company, which is not a 'Close Company', is registered as a Public Limited Company in terms of the Companies Act 1985.

It is an Investment Company as defined in Section 266 of the Companies Act 1985 and 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 30 September 1989. Since that date the Company's affairs have been conducted in a manner to enable it to continue to seek such approval.

A review of the Company's business during the year is contained in the Chairman's Statement and Managers' Review.

DIRECTORS

The Directors who, other than Dr C Masters, each held office throughout the year are shown on page 19. Their interests in the Company and group companies are shown on page 32.

Dr C Masters was appointed as a Director of the Company on 22 February 1990. He retires at the first Annual General Meeting following his appointment and, being eligible, offers himself for re-appointment.

Messrs J C R Inglis and W R E Thomson retire from the Board by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

No Director has a contract of service with the Company.

No Director has any material interest in any contract to which the Company is a party.

BORROWING

On 31 January 1990, holders of the 6 per cent Unsecured Loan Stock 1995 converted £2,371,856 of stock into common shares of GBC North America Fund under the rights of the stockholders to convert into common shares of GBC North America Fund.

DIRECTORS' REPORT

INTERESTS IN SHARE CAPITAL

The following interests in excess of 3 per cent of the Ordinary Share capital of the Company have been reported at 22 November 1990.

	Ordinary Shares	%
Sun Life Assurance Society	30,973,800	8.1
Equitable Life Assurance Society	23,404,980	6.1
London & Manchester Assurance Society	11,845,000	3.1

SUBSIDIARY COMPANIES

The 6 per cent Unsecured Loan Stock of the Company is convertible into common shares of GBC North America Fund currently held by British Assets Trust. The valuation of the GBC North America Fund common shares held for conversion is taken at the conversion price of 110.62p.

The accounts of Investors Capital Trust and those of GBC North America Fund are enclosed with those of British Assets Trust and together they form the Group accounts of British Assets Trust.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

CHARITABLE DONATIONS

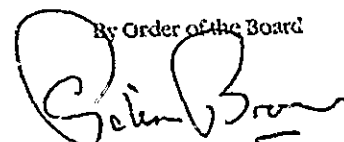
During the year the Company made charitable donations totalling £10,198.

MANAGEMENT

Ivory & Sime plc provides management and secretarial services to the Company and receives a fee paid on a quarterly basis in advance. The agreement may be terminated on 30 June 1992 or at any subsequent date by either party giving one year's notice in writing. During the year under review, management fees paid by the Company to Ivory & Sime plc represented approximately 0.41 per cent of Ordinary Shareholders' Funds.

PERSONAL EQUITY PLANS

The affairs of the Company have been conducted in such a way as to comply with the UK equities rule as defined in the Personal Equity Plan Regulations. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

By Order of the Board


Secretary

One Charlotte Square,

Edinburgh EH2 4DZ

22 November 1990

REVENUE ACCOUNT FOR THE YEAR TO 30 SEPTEMBER

		1990	1989
	Notes	£'000	£'000
INCOME			
Franked investment income		12,228	6,066
UK unfranked investment income		55	4,788
Overseas investment income		5,210	5,042
Subsidiary companies		11,109	16,246
Other income		5,138	1,559
Total income	1	33,740	28,101
INTEREST AND EXPENSES			
Interest	2	(9,998)	(7,793)
Administrative expenses	3	(1,531)	(1,386)
Total interest and expenses		(11,529)	(9,179)
Revenue before taxation		22,211	18,922
Taxation	4	(6,013)	(5,066)
Revenue after taxation		16,198	13,856
Preference dividends		(180)	(180)
Available for ordinary shareholders		16,018	13,676
Ordinary dividends		(14,784)	(12,672)
Net revenue transferred to revenue reserve	12	1,234	1,004
Earnings per ordinary 25p share		4.17p	3.56p
384,000,000 shares in issue (1989 - same)			
Dividend per ordinary 25p share		3.85p	3.30p

The Accounting Policies on page 27 and the Notes on pages 28 to 32 form part of these Accounts

BALANCE SHEET AS AT 30 SEPTEMBER

	Notes	1990 £'000	1989 £'000
FIXED ASSETS—INVESTMENTS			
UK ordinary and preference shares		177,104	212,235
UK fixed interest securities		29,110	55,464
Overseas securities		69,972	111,688
Subsidiary companies	13	180,667	222,453
	5	<u>456,853</u>	<u>601,840</u>
CURRENT ASSETS			
Debtors	6	3,139	2,256
Cash at bank and in deposit		11,509	9,314
CREDITORS (amounts falling due within 12 months)	7	<u>(15,223)</u>	<u>(10,994)</u>
Net current (liabilities)/assets		<u>(645)</u>	<u>576</u>
Total assets (less current liabilities)		<u>456,208</u>	<u>602,416</u>
CREDITORS (amounts falling due after more than one year)	8	<u>(163,822)</u>	<u>(227,426)</u>
		<u>292,386</u>	<u>374,990</u>
CAPITAL AND RESERVES			
Called-up share capital			
Preference stock	10	5,250	5,250
Ordinary shares	10	<u>96,000</u>	<u>96,000</u>
		101,250	101,250
Share premium account	11	3,630	3,641
Other reserves			
Capital reserve	12	129,462	120,339
Net unrealised appreciation	12	51,238	144,188
Revenue reserve	12	<u>6,603</u>	<u>5,572</u>
		<u>292,386</u>	<u>374,990</u>
Ordinary shareholders' funds		<u>287,136</u>	<u>369,740</u>
Net asset value per ordinary 25p share		74.78p	96.29p

A. H. Douglas

Director

Charles V. F. New

Director

2 November 1990

The Accounting Policies on page 27 and the Notes on pages 28 to 32 form part of these Accounts

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR TO 30 SEPTEMBER

	1990	1989
	£'000	£'000
REVENUE		
Source of funds:		
Revenue before taxation	22,211	18,922
Less: Tax on franked investment income	(5,756)	(3,882)
	<u>16,455</u>	<u>15,040</u>
Application of funds:		
Taxation	(1,002)	144
Preference dividends	180	180
Ordinary dividends	13,824	11,424
	<u>(13,002)</u>	<u>(11,798)</u>
	<u>3,453</u>	<u>3,292</u>
Net funds generated from revenue		
	<u>3,453</u>	<u>3,292</u>
CAPITAL		
Source of funds:		
Sales of overseas equities	58,057	44,239
Sales of UK equities	25,025	9,476
Sales of UK government securities	—	39,106
Sales of other fixed interest securities	63,000	—
Issue of Equities Index Unsecured Loan Stock 2005	—	150,000
	<u>146,082</u>	<u>242,821</u>
Application of funds:		
Purchases of overseas equities	40,614	32,865
Purchases of UK equities	31,355	149,275
Purchases of UK government securities	27,577	—
Purchases of other fixed interest securities	13,000	52,446
	<u>(112,546)</u>	<u>(234,586)</u>
	<u>(32,015)</u>	<u>—</u>
Repayment of variable rate Euro-currency loan	(2,372)	(9,651)
Conversion of 6 per cent Unsecured Loan Stock	(11)	(4,359)
Expenses in connection with the issue of Equities Index Unsecured Loan Stock 2005	(1,593)	(2)
Exchange differences	(2,455)	(5,777)
	<u>(2,455)</u>	<u>(5,777)</u>
Net funds absorbed by capital		
	<u>998</u>	<u>(2,485)</u>
Total funds generated/(absorbed)		
	<u>998</u>	<u>(2,485)</u>
REPRESENTED BY		
Movements in:		
Debtors	1,302	167
Creditors	(2,499)	(3,988)
Cash at bank and on deposit	2,195	1,336
	<u>998</u>	<u>(2,485)</u>
Total increase/(decrease) in liquidity		
	<u>998</u>	<u>(2,485)</u>

The Accounting Policies on page 27 and the Notes on pages 28 to 32 form part of these Accounts

ACCOUNTING POLICIES

FIXED ASSETS—INVESTMENTS

Listed investments other than shares in subsidiary companies are valued at middle market prices. Investors Capital Trust is included at net asset value. The 25,542,793 common shares of GBC North America Fund which will be realised on conversion of the 6 per cent Unsecured Loan Stock are valued at the lower of net asset value or the conversion price of 110.62p. Unlisted investments are valued by the Directors on the basis of all information available to them at the time of valuation. Year end exchange rates have been used when translating foreign currencies.

GROUP ACCOUNTS

The Directors have considered carefully the presentation of the Group accounts and they believe that the accounts give a fairer view of the financial position of the Group by presenting the accounts of Investors Capital Trust and GBC North America Fund separately. This avoids the inclusion of very substantial minority interests in British Assets Trust's accounts which is not considered an appropriate presentation for an investment in another Investment Company.

COMPANIES IN WHICH BRITISH ASSETS TRUST HAS AN INTEREST IN EXCESS OF 20 PER CENT

British Assets Trust does not conduct an important part of its business through such companies nor does it actively participate in the commercial and policy decisions of companies in which it has such an investment. Accordingly the Directors do not consider that any of such investments should be treated as related or associated companies.

LOANS

Year end exchange rates are used when translating overseas loans or forward sale rates, where there is a foreign exchange contract. The Equities Index Unsecured Loan Stock 2005 is valued by reference to the capital value of the FT Actuaries All-Share Index using the year end rate.

CAPITAL RESERVES

(a) *Capital Reserve*—gains and losses on realisations of investments and realised exchange differences are dealt with in this reserve.
(b) *Net Unrealised Appreciation*—increases and decreases in the valuation of investments held are dealt with in this reserve. Provision is also made in this reserve for changes in the value of overseas loans and forward currency transactions and for changes in the value of the Equities Index Unsecured Loan Stock 2005

INCOME

(a) Dividends, with the addition of the relevant tax credit, and interest from UK securities are included in the Revenue Account on a cash basis with the exception of (i) the final dividend from Investors Capital Trust which is included on an accruals basis, and (ii) income covered by the accrued income scheme in the Income and Corporation Taxes Act 1988 where interest received is adjusted to include accrued interest on disposals of securities and to exclude accrued interest on purchases.
(b) Overseas income including income received from GBC North America Fund is accounted for on a cash basis and has been recorded at rates of exchange ruling when received or at the rate it was sold forward if appropriate.
(c) Deposit interest is included on an accruals basis.

EXPENSES

Administrative expenses and interest payable are dealt with on an accruals basis.
Overseas interest is converted at the exchange rate ruling at date of payment or at year end exchange rates when interest is accrued.

EXPLANATORY NOTES ON THE ACCOUNTS

	1990	1989
1. INCOME	£'000	£'000
Listed on the UK Stock Exchange	12,099	10,301
Listed on other stock exchanges	4,861	4,805
Certificate of deposit income	2,582	—
Unlisted	533	790
Deposit interest	2,512	1,923
Underwriting commission	44	36
	<u>22,631</u>	<u>17,855</u>
Subsidiary companies		
GBC North America Fund—dividend	311	783
Investors Capital Trust (Year to 30 September 1990)		
First quarterly interim dividend	2,616	2,282
Second quarterly interim dividend	2,672	2,338
Third quarterly interim dividend	2,727	2,394
Final quarterly dividend	2,783	2,449
	<u>33,740</u>	<u>28,101</u>
2. INTEREST		
Interest on short term borrowings and overdrafts	4	—
Interest on Equities Index Unsecured Loan Stock 2005 (Issued 21 April 1989)	8,134	3,171
Interest on 6 per cent Unsecured Loan Stock 1995	1,695	1,838
Interest on loan repaid 11 October 1989	165	2,784
	<u>9,998</u>	<u>7,793</u>
3. ADMINISTRATIVE EXPENSES		
Management fee and general charges	1,477	1,339
Directors' fees	42	35
Auditors' remuneration	12	12
	<u>1,531</u>	<u>1,386</u>

Directors' Fees:

The emoluments of the Chairman were:

Group—£15,800 (1989—£14,600);

Parent Company—£9,300 (1989—£8,600)

The other Directors' emoluments fell into the following range:

	1990		1989	
	Parent	Group	Parent	Group
£0—£5,000	1	1	—	—
£5,001—£10,000	4	—	4	—
£10,001—£15,000	—	4	—	4

EXPLANATORY NOTES ON THE ACCOUNTS

	1990	1989
	£'000	£'000
4. TAXATION		
Corporation tax at 35 per cent (1989—same)	—	1,184
Tax on franked investment income	5,756	3,882
Overseas tax	525	578
	<u>6,281</u>	<u>5,644</u>
Relief for overseas tax	—	(578)
Prior year adjustment in respect of overseas tax	(268)	—
	<u>6,013</u>	<u>5,066</u>
The Company will have sufficient surplus franked investment income to cover the liability to advance corporation tax on the dividends provided.		
5. FIXED ASSETS—INVESTMENTS		
Listed on the UK Stock Exchange	203,257	207,179
Listed on other stock exchanges	66,561	107,616
Unlisted as valued by the Directors	6,368	12,415
Subsidiary companies	180,667	222,453
Certificates of deposit	—	52,177
	<u>456,853</u>	<u>601,840</u>
Valuation of investments at 30 September 1989	601,840	395,443
Unrealised appreciation at 30 September 1989	(159,667)	(98,457)
Cost of investments at 30 September 1989	442,173	296,986
Additions at cost	112,546	234,586
Disposals at cost	(134,670)	(89,399)
Cost of investments at 30 September 1990	420,049	442,173
Unrealised appreciation at 30 September 1990	36,804	159,667
Valuation of investments at 30 September 1990	<u>456,853</u>	<u>601,840</u>
	Investors Capital Trust	GBC North America Fund
	£'000	£'000
Subsidiary Companies		
Valuation at 30 September 1989	191,826	30,627
On conversion of 6 per cent Unsecured Loan Stock	—	(2,372)
Unrealised depreciation during year	(39,414)	—
Valuation at 30 September 1990	<u>152,412</u>	<u>28,255</u>
Cost of investments at 30 September 1990	<u>109,666</u>	<u>—</u>

EXPLANATORY NOTES ON THE ACCOUNTS

	1990	1989
	£'000	£'000
6. DEBTORS	1,052	—
Due from brokers	2,087	1,837
Dividend receivable from Investors Capital Trust	—	419
Taxation recoverable	<u>3,139</u>	<u>2,256</u>
7. CREDITORS (amounts falling due within one year)	908	68
Taxation	4,641	2,375
Due to brokers	90	90
Dividend on preference stocks	3,744	3,264
Third quarterly interim dividend on ordinary shares	3,840	3,360
Proposed final quarterly dividend on ordinary shares	1,736	1,465
Interest on Equities Index Unsecured Loan Stock 2005	334	372
Other creditors	<u>15,293</u>	<u>10,994</u>
8. CREDITORS (amounts falling due after more than one year)	135,567	164,784
Equities Index Unsecured Loan Stock 2005	—	32,015
Variable rate Euro-currency loan repaid 11 October 1989		
6 per cent Unsecured Loan Stock 1995 (convertible into common shares of GBC North America Fund)	<u>28,255</u>	<u>30,627</u>
	<u>163,822</u>	<u>227,426</u>

Subject to the provisions in the Trust Deed constituting the Index Stock, the Company shall redeem the Index Stock with effect from 31 December 2005 at the Capital Value which will be determined by the level of the FT-Actuaries All-Share Index at that date. Interest paid on the units of the Index Stock is equivalent to the gross yield of the Index and is paid quarterly.

9. EXCHANGE RATES	1990	1989
Exchange rate to the £ at 30 September	1.872	1.615
US Dollar	14.528	12.605
Hong Kong Dollar	1.268	2.085
Australian Dollar	9.817	10.275
French Franc		

EXPLANATORY NOTES ON THE ACCOUNTS

	£'000
10. CAPITAL (preference and ordinary)	
Authorised, allotted and fully paid	
(a) Preference stock	
3 15 per cent preference stock	1,300
11 3/4 per cent preference stock	3,950
	<u>5,250</u>
(b) Ordinary shares	
394,000,000 ordinary shares of 25p each	<u>96,000</u>
11. SHARE PREMIUM	
At 30 September 1989	3,641
Expenses in connection with the issue of Equities Index Unsecured Loan Stock 2005	(11)
At 30 September 1990	<u>3,630</u>
12. OTHER RESERVES	
Capital reserve	
At 30 September 1989	120,339
Net profit on sale of investments during the year	11,412
Realised exchange difference on Euro-currency loan transferred from net unrealised appreciation	(696)
Exchange differences	(1,593)
At 30 September 1990	<u>129,462</u>
Net unrealised appreciation	
At 30 September 1989	144,188
Decrease in unrealised appreciation of investments	(122,863)
Realised exchange difference on Euro-currency loan transferred to Capital Reserve	696
Decrease in unrealised appreciation on Equities Index Unsecured Loan Stock 2005	29,217
At 30 September 1990	<u>51,238</u>
Revenue reserve	
At 30 September 1989	5,572
Transferred from revenue account	1,234
At 30 September 1990	<u>6,806</u>

EXPLANATORY NOTES ON THE ACCOUNTS

13. SIGNIFICANT INTERESTS

(a) Subsidiaries:

Name	Country of incorporation and registration	Class of capital	Issued capital £'000	Reserves £'000	Profit/(loss) for year £'000	Percentage of class held	Valuation at 30.9.90 £'000
Subsidiary Companies							
Investors Capital Trust (accounts to 30.9.90)	Scotland	Ordinary Preference	61,848 1,839	163,941	12,249	67.5	152,412
GBC North America Fund (accounts to 30.9.90)	Canada	Common	N/A	52,786	(87)	58.8	28,255
							<u>180,667</u>

(b) Other interests of 10 per cent or more of any class of share capital. Holdings which are valued at nil have been omitted.

Name	Country of incorporation or registration	Class of capital	Percentage of class held
Cumberland Health Systems	USA	Common Stock	14.3
		Preferred Stock	33.8

DIRECTORS' INTERESTS

The Directors who, other than Dr C Masters, each held office throughout the year and their interests in Group companies are shown below.

		British Assets Trust Ordinary shares		British Assets Trust 6 per cent Unsecured loan stock		Investors Capital Trust Ordinary shares		GBC North America Fund Common shares	
		30/9/90	30/9/89	30/9/90	30/9/89	30/9/90	30/9/89*	30/9/90	30/9/89
J C R Inglis	Beneficial	65,400	65,400	—	—	13,880	13,880	1,032	1,032
	Non beneficial	4,000	4,000	—	—	—	—	—	—
P E G Balfour	Beneficial	21,328	21,328	—	—	10,000	10,000	—	—
	Non beneficial	23,200	23,200	—	—	—	—	—	—
Sir Robin Duthie	Beneficial	8,000	8,000	—	—	4,000	4,000	276	276
Sir Charles Fraser	Beneficial	24,800	24,800	—	—	3,200	3,200	—	969
	Non beneficial	12,000	12,000	—	—	60,000	60,000	—	2,076
Dr C Masters (appointed 22 February 1990)	Beneficial	—	—	—	—	—	—	—	—
W R E Thomson	Beneficial	8,000	8,000	£4,035	£4,035	4,000	4,000	6,613	6,613

*adjusted for 3 for 1 capitalisation issue

No Director has a holding of the preference stock of the Company or its subsidiary Investors Capital Trust or of the Equities Index Unsecured Loan Stock 2005 of the Company.
There have been no changes in the interests of the Directors between 30 September 1990 and 22 November 1990.

INVESTORS CAPITAL TRUST PLC

1990 ANNUAL REPORT



Aims to provide
shareholders with
a growing income
stream from a
United Kingdom
equity portfolio



IVORY & SIME

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The Directors submit the Annual Report and Accounts of the Company for the year ended 30 September 1990.

	£'000
The Revenue available for dividends was	12,316
Dividends for the year on the 3.675 per cent Preference Stock	(67)
	12,249
Dividends on Ordinary Shares:	
First Quarterly Interim Dividend of 1.175p per share paid 7 March 1990	(2,907)
Second Quarterly Interim Dividend of 1.20p per share paid 7 June 1990	(2,969)
Third Quarterly Interim Dividend of 1.225p per share paid 7 September 1990	(3,031)
Proposed Final Quarterly Dividend of 1.25p per share payable on 7 December 1990 to Shareholders on the Register at close of business on 15 November 1990	(3,092)
Transferred to revenue reserve	250

PRINCIPAL ACTIVITY AND STATUS

The Company, which is not a 'Close Company', is registered as a Public Limited Company in terms of Part I of the Companies Act 1985. It is an investment company as defined in Section 266 of the Companies Act 1985 and 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 30 September 1989. Since that date, the Company's affairs have been conducted in a manner to enable it to continue to seek such approval.

Directors

The Directors who held office throughout the year and their interests in the Company and group companies are shown on page 43. Mr J C R Inglis and Mr W R E Thomson retire from the Board by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

No Director has a contract of service with the Company.

No Director has any material interest in any contract to which the Company is a party.

PARENT COMPANY

British Assets Trust owns 67.5 per cent of the issued ordinary share capital.

INTEREST IN SHARE CAPITAL

D C Thomson & Co has reported an interest in 4.4 per cent of the issued ordinary share capital.

DIRECTORS' REPORT

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

CHARITABLE DONATIONS

The Company made donations to various local charities totalling £11,284.

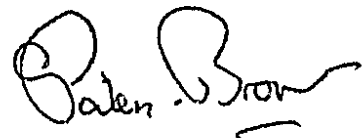
MANAGEMENT

Ivory & Sime plc provides management and secretarial services to the Company and receives a fee paid quarterly in advance. The agreement may be terminated at 30 June 1992 or at any subsequent date by either party giving one year's notice in writing. During the year under review, management fees paid by the Company to Ivory & Sime plc represented approximately 0.63 per cent of Ordinary Shareholders' Funds.

PERSONAL EQUITY PLANS

The affairs of the Company have been conducted in such a way as to comply with the UK equities rule as defined in the Personal Equity Plan Regulations. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

By Order of the Board,



Secretary.

One Charlotte Square

Edinburgh EH2 4DZ

8 November 1990

REVENUE ACCOUNT FOR THE YEAR TO 30 SEPTEMBER

	Notes	1990 £'000	1989 £'000
INCOME			
Franked investment income		16,040	14,703
UK unfranked investment income		855	1,457
Other income	1	1,751	1,139
Total income		<u>18,646</u>	<u>17,299</u>
INTEREST AND EXPENSES			(6)
Interest on temporary bank loans and overdrafts		(387)	(387)
Interest on debenture stock	2	(1,779)	(1,525)
Administrative expenses		(2,166)	(1,918)
Total interest and expenses			
Revenue before taxation	3	16,480	15,381
Taxation		(4,164)	(3,913)
Revenue after taxation		<u>12,316</u>	<u>11,468</u>
Preference dividends		(67)	(67)
Available for Ordinary shareholders		<u>12,249</u>	<u>11,401</u>
Ordinary dividends	9	(11,999)	(11,514)
Net revenue transferred to revenue reserve		<u>250</u>	<u>887</u>
Earnings per ordinary 25p share		4.95p	4.61p*
247,392,000 shares in issue (1989—same*)		4.85p	4.25p*
Dividend per ordinary 25p share			

*Adjusted for 3 for 1 capitalisation issue.

The Accounting Policies on page 39 and the Notes on pages 40 to 43 form part of these Accounts

BALANCE SHEET AS AT 30 SEPTEMBER

	Notes	1990 £'000	1989 £'000
FIXED ASSETS—INVESTMENTS			
UK ordinary shares		215,061	253,521
UK fixed interest securities		18,375	38,546
Overseas securities		773	1,053
	5	<u>234,209</u>	<u>293,120</u>
CURRENT ASSETS			
Debtors	4	1,347	52
Cash at bank and on deposit		1,642	4,514
CREDITORS (amounts falling due within one year)	6	<u>(3,970)</u>	<u>(6,061)</u>
Net current liabilities		<u>(981)</u>	<u>(1,495)</u>
Total assets (less current liabilities)		<u>233,228</u>	<u>291,625</u>
CREDITORS (amounts falling due after more than one year)	7	<u>(5,600)</u>	<u>(5,600)</u>
		<u>227,628</u>	<u>286,025</u>
CAPITAL AND RESERVES			
Called-up share capital			
Preference stock	8	1,839	1,839
Ordinary shares	8	<u>61,848</u>	<u>15,462</u>
		<u>63,687</u>	<u>17,301</u>
Reserves			
Capital reserve	9	163,523	202,783
Net unrealised (depreciation) appreciation	9	<u>(4,159)</u>	<u>61,614</u>
Revenue reserve	9	<u>4,577</u>	<u>4,327</u>
		<u>227,628</u>	<u>286,025</u>
Ordinary shareholders' funds		<u>225,789</u>	<u>284,186</u>
Net asset value per ordinary 25p share		<u>91.3p</u>	<u>114.9p*</u>

*Adjusted for 3 for 1 capitalisation issue.

L. A. Smith

Director

[Signature]

Director

8 November 1990

The Accounting Policies on page 39 and the Notes on pages 43 to 45 form part of these Accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR TO 30 SEPTEMBER

	1990	1989
	£'000	£'000
REVENUE		
Source of funds:		
Revenue before taxation	16,480	15,381
Less: Tax on franked investment income	(4,010)	(3,676)
	<u>12,470</u>	<u>11,705</u>
Application of funds:		
Taxation	15	141
Preference dividends	67	67
Quarterly dividends paid for current year	8,907	7,793
Final dividend paid for previous year	2,721	2,474
	<u>(11,710)</u>	<u>(10,475)</u>
Net funds generated from revenue	<u>760</u>	<u>1,230</u>
CAPITAL		
Source of funds:		
Sales of UK equities	31,744	37,949
Sales of UK government securities	—	7,500
Sales of other fixed interest securities	24,158	1,500
	<u>55,902</u>	<u>46,949</u>
Application of funds:		
Purchases of UK equities	46,177	36,918
Purchases of UK government securities	9,437	—
Purchases of other fixed interest securities	—	12,000
	<u>(55,614)</u>	<u>(48,918)</u>
Expenses in connection with capitalisation issue	(24)	—
Net funds generated/(absorbed by) from capital	<u>264</u>	<u>(1,969)</u>
Total funds generated/(absorbed)	<u>1,024</u>	<u>(739)</u>
REPRESENTED BY		
Movements in		
Debtors	1,347	(7,106)
Creditors	2,549	6,355
Cash at bank and on deposit	(2,872)	12
Total increase/(decrease) in liquidity	<u>1,024</u>	<u>(739)</u>

The Accounting Policies on page 39 and the Notes on pages 40 to 43 form part of these Accounts

ACCOUNTING POLICIES

FIXED ASSETS—INVESTMENTS

Listed investments are valued at middle market prices. Unlisted investments are valued by the Directors on the basis of all information available to them at the time of valuation. Year end exchange rates have been used when translating foreign currencies.

CAPITAL RESERVES

- (a) *Capital reserve*—gains and losses on realisation of investments and realised exchange differences are dealt with in this reserve.
- (b) *Net unrealised appreciation*—increases and decreases in the valuation of investments held are dealt with in this reserve.

INCOME

- (a) Dividends, with the addition of the relevant tax credit, and interest from UK securities are included in the Revenue Account on a cash basis with the exception of income covered by the accrued income scheme in the Income and Corporation Taxes Act 1988 where interest received is adjusted to include accrued interest on disposals of securities and to exclude accrued interest on purchases.
- (b) Overseas income is accounted for on a cash basis and has been recorded at rates of exchange ruling when received.
- (c) Deposit interest is included on an accruals basis.

EXPENSES

Administrative expenses and interest payable are dealt with on an accruals basis.

EXCHANGE RATE TO THE £

At 30 September	1990	1989
US Dollar	1.872	1.615

EXPLANATORY NOTES ON THE ACCOUNTS

	1990	1989
	£'000	£'000
1. INCOME		
Listed on the UK Stock Exchange	16,617	15,541
Certificate of deposit income	851	42
Unlisted	278	619
Deposit interest	823	1,050
Underwriting commission	77	47
	<u>18,646</u>	<u>17,299</u>
2. ADMINISTRATIVE EXPENSES		
Management fee and general charges	1,731	1,482
Directors' fees	40	36
Auditors' remuneration	8	—
	<u>1,779</u>	<u>1,525</u>
Directors' fees:		
The emoluments of the Chairman were £6,500 (1989—£6,000).		
The other Directors' emoluments fell into the following group:		
	1990	1989
Nil—£5,000	—	6
£5,001—£10,000	6	—
3. TAXATION		
Corporation tax at 35 per cent (1989—same)	154	237
Tax on franked investment income	4,010	3,676
	<u>4,164</u>	<u>3,913</u>
The Company will have sufficient surplus franked investment income to cover the liability to advance corporation tax on the dividend provided.		
4. DEBTORS		
Taxation recoverable	—	52
Due from brokers	1,347	—
	<u>1,347</u>	<u>52</u>

EXPLANATORY NOTES ON THE ACCOUNTS

	1990 £'000	1989 £'000
5. FIXED ASSETS—INVESTMENTS		
Listed on the UK Stock Exchange	230,496	270,480
Unlisted as valued by the Directors	3,713	10,089
Certificates of deposit	—	12,551
	<u>234,209</u>	<u>293,120</u>
Valuation of investments at 30 September 1989	293,120	247,522
Unrealised appreciation at 30 September 1989	(61,614)	(32,191)
Cost of investments at 30 September 1989	231,506	215,331
Additions at cost	55,614	48,918
Disposals at cost	(48,752)	(32,743)
Cost of investments at 30 September 1990	238,368	231,506
Unrealised (depreciation)/appreciation at 30 September 1990	(4,159)	61,614
Valuation of investments at 30 September 1990	<u>234,209</u>	<u>293,120</u>
6. CREDITORS (amounts falling due within one year)		
Due to brokers	598	3,102
Dividend on preference stock	23	23
Final dividend on ordinary shares	3,092	2,721
Taxation payable	87	—
Other creditors	170	215
	<u>3,970</u>	<u>6,061</u>
7. CREDITORS (amounts falling due after more than one year)		
Debenture stocks:		
4 per cent debenture stock	600	600
7¼ per cent debenture stock 1992/97	5,000	5,000
	<u>5,600</u>	<u>5,600</u>

The debenture stocks are secured by a floating charge over all the assets of the Company.

The 4 per cent stock is redeemable only at the Company's option on six months' notice at a price of £105 per cent.

EXPLANATORY NOTES ON THE ACCOUNTS

£'000

8. CAPITAL—preference and ordinary

Authorised, allotted and fully paid

(a) Preference stock

3 6/5 per cent preference stock

1,839

(b) Ordinary shares

61,848,000 ordinary shares of 25p each

15,462

3 for 1 capitalisation issue

46,386

247,392,000 ordinary shares of 25p each

61,848

9. RESERVES

Capital reserve

202,783

At 30 September 1989

7,150

Net profit on sale of investments during the year

(46,386)

3 for 1 capitalisation issue

(24)

Expenses in connection with capitalisation issue

163,523

At 30 September 1990

Net unrealised (depreciation)/appreciation

61,614

At 30 September 1989

(65,773)

Decrease in unrealised appreciation of investments

(4,159)

At 30 September 1990

Revenue reserve

4,327

At 30 September 1989

250

Transferred from revenue account

4,577

At 30 September 1990

10. SUBSTANTIAL INTERESTS

Holdings of 10 per cent or more of any class of equity share capital. Holdings which are valued at nil have been omitted.

Name	Country of registration	Class of capital	Percentage of class held
Whelmar Group	England	Cumulative Redeemable Preference Shares 'A' Ordinary Shares	17.1

EXPLANATORY NOTES ON THE ACCOUNTS

11. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is British Assets Trust PLC which is an Investment Trust Company registered in Scotland.

DIRECTORS' INTERESTS

The Directors who held office during the year and their interests in Group Companies are shown below:

		Investors Capital Trust		British Assets Trust		British Assets Trust 6 per cent Unsecured loan stock		GBC North America Fund Common shares	
		Ordinary shares 30/9/90	30/9/89†	Ordinary shares 30/9/90	30/9/89	30/9/90	30/9/89	30/9/90	30/9/89
J C R Inglis	Beneficial	13,880	13,880	65,400	65,400	—	—	1,032	1,032
	Non beneficial	—	—	4,000	4,000	—	—	—	—
W R Alexander	Beneficial	40,000	4,000	—	—	£13,650	£13,650	—	—
P E G Balfour	Beneficial	10,000	10,000	21,328	21,328	—	—	—	—
	Non beneficial	—	—	23,200	23,200	—	—	—	—
Sir Robin Duthie	Beneficial	4,000	4,000	8,000	8,000	—	—	276	276
Sir Charles Fraser	Beneficial	3,200	3,200	24,800	24,800	—	—	—	969
	Non beneficial	60,000	60,000	12,000	12,000	—	—	—	2,076
C F Sleight	Beneficial	18,060	18,060	—	—	£5,205	£5,205	—	—
	Non beneficial	—	—	—	18,000	—	—	—	—
W R E Thomson	Beneficial	4,000	4,000	8,000	8,000	£4,035	£4,035	6,613	6,613

†Adjusted for 3 for 1 capitalisation issue

No Director has a holding of the preference stock of the Company or its parent company British Assets Trust or in the Equities Index Unsecured Loan Stock 2005 of the parent company.

There have been no changes in the shareholdings of the Directors between 30 September and 8 November 1990.