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Company Summary

The Company	The Company is an investment trust and its shares are listed on the London Stock Exchange. The Company is a member of the Association of Investment Trust Companies.
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Total assets at 30 September 2000 were £746.9 million.

Objective	The investment objective of the Company is to achieve a total return in excess of a composite index, weighted as to 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index, by investing in an international portfolio of equities and equity-related securities. Within this overall objective, the Company aims to provide holders of Ordinary Shares with an income stream which grows in real terms.
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Management	The Board has appointed Friends Ivory & Sime plc as investment managers. The notice period is six months and further details of the management contract are provided in Notes to the Accounts.
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Capital Structure	The Company has a capital structure comprising Ordinary Shares, Growth Shares and Warrants.
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The Company has 6.625 per cent Bonds and Equities Index Unsecured Loan Stock in issue.

How to Invest	Friends Ivory & Sime operates a number of ZeroCharge™ investment plans which facilitate investment in the shares of the Company. Details are contained on page 47.
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PEP/ISA Status	The Company's shares are eligible for ISAs and PEP transfers and can continue to be held in existing PEPs.
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Website	The Company's internet address is www.british-assets.co.uk
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Financial Highlights

- Net asset value total return of 20.8 per cent, outperforming the benchmark index by 7.7 percentage points.
- Total dividends increased by 3.4 per cent.
- Revenue reserves further strengthened.

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Performance Summary

	30 September 2000	30 September 1999	% change
Total Return			
Net asset value*†	20.8%	18.5%	—
FTSE All-Share Index†	9.6%	23.5%	—
Composite index†‡	13.1%	26.8%	—
Capital Values (p)			
Net asset value (basic)	178.3	153.5	16.2
Net asset value (fully diluted)	176.8	151.4	16.8
Ordinary share price	158.5	135.3	17.1
Growth share price	153.5	129.0	19.0
Discount (basic) (difference between share price and net asset value)			
Discount on ordinary shares (%)	11.1	11.9	—
Discount on growth shares (%)	13.9	16.0	—
Gearing†			
Actual gearing	110	109	—
Potential gearing	116	116	—
Revenue and Dividends			
Earnings per share ordinary share (p)	5.85	5.93	(1.3)
Dividends per ordinary share (p)	5.216	5.045	3.4
Retail prices index	171.7	166.2	3.3
Total expense ratio (as percentage of shareholders' funds)			
Management marketing and other expenses	0.47%	0.48%	—
Performance fee	0.07%	—	—
	2000 High	2000 Low	
Year's Highs/Lows			
Net asset value (basic)	191.3	149.6	
Ordinary share price	167.8	129.0	
Growth share price	166.0	121.0	
Discount on ordinary shares	18.4	10.4	
Discount on growth shares	23.0	11.2	

* NAV total return is calculated as the total return attributable to an Ordinary Share and the total return attributable to a Growth Share in proportion to the respective number of shares of each class in issue, adjusted for the buy in of warrants.

† All total return calculations are on a yield basis with net dividends reinvested.

‡ Actual Gearing: (Total Assets – cash and fixed interest) ÷ Equity Shareholders' Funds

Potential Gearing: Total Assets ÷ Equity Shareholders' Funds

‡ Composite index of 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index

Sources: Friends Ivory & Sime and Datastream.

Chairman's Statement

W R E Thomson
Chairman

value total return was 20.8 per cent compared with the total return for the composite benchmark of 13.1 per cent (75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index).

The following table provides a breakdown of the contribution to the outperformance:

Attribution of Return	Percentage points
Benchmark/market return	13.1
Asset allocation	+1.1
Gearing	+0.4
Stock picking:	
UK equities	+2.4
Overseas equities	+0.3
Narrowing of the discount on ICT	+2.8
Share buy-back programme	+1.0
Impact of the strength of the Yen against Sterling on the Yen loan	-0.3
British Asset Trust's total return	20.8

Strong investment performance, 7.7 percentage points ahead of the benchmark

Your Company performed very strongly in the year ended 30 September 2000. Net asset value total return was 20.8 per cent and the ordinary share price total return was 21.3 per cent, with the discount on the ordinary shares narrowing from 11.9 per cent to 11.1 per cent. I am pleased to report that the Board is proposing a final dividend of 1.43225p, resulting in a 3.4 per cent increase in total dividends for the year. Encouragingly, the retail initiatives outlined in my statement last year have started to bear fruit with some £7 million of demand created through a combination of sales to intermediary clients through Friends Provident's distribution channels and directly through the Company's ZeroChargeTM Individual Saving Accounts and Investment Plans. The Company has also continued to enhance shareholder value through its buy back of ordinary shares, growth shares, warrants and equities index unsecured loan stock (EIULS).

Investment Returns

This year the Company's investment performance has been excellent, beating its benchmark by 7.7 percentage points. The Company's net asset

There were no major changes to the asset allocation during the year, although the exposure to UK equities was effectively increased by the Company's purchase of £14.9 million of EIULS, which is treated as gearing for accounting purposes, but is a liability linked to the FTSE All-Share in terms of both capital and income.

Investors Capital Trust (ICT)

ICT is the Company's largest holding representing 31.6 per cent of its total assets. The Company benefited from the reduction in the ICT package discount from 12.7 per cent to 5.7 per cent, as it values ICT at market price rather than its underlying asset value. In the year to 30 September 2000, ICT's net asset value total return was 13.2 per cent, 4.6 per cent ahead of its benchmark, the FTSE 350 Index. The share price total return from the Company's holding in ICT was 21.8 per cent. ICT achieved the highest share price total return in the AITC UK growth and income sector over the year to 30 September 2000.

Earnings and Dividend

The Company's earnings were 5.85p per ordinary share in respect of the year ended 30 September 2000. The Board has proposed a final dividend of 1.43225p per ordinary share payable on 8 January 2001 to ordinary shareholders on the register on 8 December 2000. This brings total dividends for the financial year to 5.216p, an increase of 3.4 per cent compared with an increase in the Retail Prices Index of 3.3 per cent. The Ordinary dividend has been increased over the past six years by 19.1 per cent compared with a rise of 18.4 per cent in the Retail Prices Index, representing real growth in dividends over this period.

For the year to 30 September 2001, each of the first three interim dividends will be paid at a rate of 1.304p per ordinary share, being 25 per cent of the total dividends payable in respect of the year ended 30 September 2000. It is intended that a fourth interim dividend will be paid at a rate consistent with our objective of providing real growth in income for ordinary shareholders.

Revenue Reserves

Another significant transfer has been made to revenue reserves, while still meeting the dividend objective. Revenue reserves at 30 September 2000 amounted to 6.21p per ordinary share, representing dividend cover of 119 per cent.

Marketing

The Company has increased its marketing spend and continues to support the "its" campaign of the AITC which seeks to increase public awareness of the significant attractions of investment trusts. It is encouraging to report that the Company had over 24,000 shareholders at 30 September 2000, with some 60 per cent of the ordinary shares owned by private investors.

The Board will continue to place emphasis on marketing the Company's shares to IFA clients and direct to private investors. There has been a good initial response to the Zero Charge ISA and the Company intends to market this more aggressively in 2001.

Buy Backs

During the last financial year the Company bought back 11,528,788 ordinary shares (3.6 per cent of those in issue following the reorganisation in 1994) and 4,708,570 growth shares (7.7 per cent of those originally in issue) for a total consideration of £22.7 million. These buy backs enhanced the fully diluted net asset value by approximately 1.5p per share.

The Board is now seeking to renew its authority from shareholders to buy back up to 14.99 per cent of shares in issue as the existing authority, to the extent not utilised, will expire at this year's AGM. Further details are set out in the Report of the Directors.

A further 8,848,212 warrants were purchased for cancellation bringing the total bought in to 90.6 per cent of the original issue, and 5,031,989 units of EIULS were bought in, bringing the cumulative total of redemptions to 95.7 per cent of the original issue.

Since the year end, the Company has bought back an additional 2,621,212 ordinary shares.

Chairman's Statement

Continued

Gearing

The gearing of the portfolio was increased by the yen loan taken out to finance the purchase of the Japan portfolio. The purchase of the EIULS mentioned above, while reducing the gearing for accounting purposes, was financed by the sale of equities and, therefore, had no impact on the overall exposure to equities.

2001

On 30 September 2001, the Company's capital structure simplifies. Only ordinary shares will be in issue. Growth shares will have converted into ordinary shares on a one for one basis and the warrants will have been exercised into ordinary shares between 1 July 2001 and 30 September 2001 at a subscription price of 101p.

Shareholder value will remain at the forefront of the Board's thinking and the programme of share buy-backs and retail initiatives will continue. The Board welcomes the restated intention of ICT's board to bring forward proposals for growth shareholders before 30 September 2001.

Outlook

In the light of the uncertainty in the currency markets and the risk of a further rise in the price of oil, it is likely that equity markets will be volatile over the next few months. However, taking a longer term view, economic growth is still strong and inflationary pressures remain subdued. Corporate earnings are set for another year of healthy growth, albeit not quite as good as this year's, and the interest rate cycle looks to be at or near to its peak. Once the short term uncertainties are resolved the backdrop should again favour equity markets.

W R E Thomson

Chairman

16 November 2000

Investment Managers and Investment Process

John Stubbs

Investment Manager

John Stubbs joined Friends Ivory & Sime in April 1995 and is an Executive Director of Friends Ivory & Sime. He has over 30 years' investment experience.

Gordon Humphries

Company Secretary

Gordon Humphries, a chartered accountant, joined Friends Ivory & Sime in 1988 and was appointed Company Secretary of British Assets Trust plc in April 1995.

Friends Ivory & Sime Investment Managers

Friends Ivory & Sime is a global investment management business and its shares are listed on the London Stock Exchange.

With some £38 billion of assets under management, Friends Ivory & Sime is committed to providing its clients with superior investment returns and outstanding service.

Its commitment to the investment trust sector is underlined by the fact that today it provides services to seventeen investment companies.

Investment Process

British Assets Trust invests in an international portfolio of equity and equity-related securities.

In managing the portfolio considerable emphasis is placed on asset allocation. However, it is expected that the majority of the Company's investment portfolio will remain invested in securities listed on the London Stock Exchange.

Manager's Review

Introduction

In the year to 30 September 2000, the Company generated a total return of 20.8 per cent, compared to a total return of 13.1 per cent on its benchmark index (75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index). The UK was relatively weak, returning 9.6 per cent compared to sterling returns of 20.5 per cent, 28.7 per cent and 10.5 per cent for Europe (ex UK), North America and Japan respectively.

Asset Allocation

(a) by region

In order to meet the Company's objective of generating capital growth and providing shareholders with a growing dividend, we managed the assets of the Company on the basis that the appropriate neutral weightings were as shown in the table below. Also shown in the table is the distribution of assets as at 30 September 2000 and as at the end of the preceding year.

Asset Class	Portfolio Weighting 30.09.00 %	Neutral Weighting 30.09.00 %	Portfolio Weighting 30.09.99 %	Neutral Weighting 30.09.99 %
UK Equities				
Investors Capital Trust	31.6		30.2	
Other UK Equities	39.0		41.5	
Total UK Equities	70.6	70.0	71.7	70.0
Overseas Equities				
Continental Europe	8.7	5.2	9.2	5.5
North America	11.0	15.3	11.8	14.7
Japan	2.8	3.3	2.6	3.8
Far East (ex Japan)	1.4	1.0	1.7	0.8
Other	—	0.2	—	0.2
Total Overseas Equities	23.9	25.0	25.3	25.0
Total Equities	94.5	95.0	97.0	95.0
Bonds	4.5	5.0	4.7	5.0
Cash	1.0	—	(1.7)	—
Total	100.0	100.0	100.0	100.0

We began the year overweight in the UK, Europe (ex UK) and Far East (ex Japan) and underweight in North America and Japan. There was little overall change during the year, although the effective exposure to UK equities was increased by the Company buying in £14.9 million worth of its Equities Index Unsecured Loan Stock.

(b) by sector

The table below shows the equity weightings by sector in the benchmark and in the portfolio as at 30 September 2000. For this purpose the holding in Investors Capital Trust has been split between the various sectors in accordance with its own weightings in those sectors.

Sector	Benchmark %	Total Equities %	UK Equities %	Overseas Equities %
Resources	11.0	11.5	9.9	1.6
Basic Industries	2.4	1.8	1.3	0.5
General Industrials	4.1	5.0	2.1	2.9
Cyclical Consumer Goods	1.3	1.1	0.5	0.6
Non-Cyclical Consumer Goods	16.1	16.4	12.9	3.5
Cyclical Services	13.2	12.1	10.2	1.9
Non-Cyclical Services	14.6	13.1	10.4	2.7
Utilities	3.8	6.3	5.1	1.2
Information Technology	10.2	8.5	2.9	5.6
Financials	23.3	24.2	18.7	5.5
Total	100.0	100.0	74.0	26.0

Overall there are no major differences between the broad sector weightings of the portfolio and the benchmark. The largest divergence is in the Utilities sector, where a number of stocks are held because of their high and secure yield.

Sub-Portfolio Reports

Investors Capital Trust (ICT)

The holding in ICT represents 31.6 per cent of the assets. ICT outperformed its benchmark, the FTSE 350 Index, by 4.6 percentage points. There was also a reduction in the discount on the shares of ICT and this further enhanced the performance of the Company. The discount on the ICT package, which comprises one Growth share, one Income Annuity share and one fifth of one Warrant, declined from 12.7 per cent to 5.7 per cent.

Manager's Review

Continued

Other UK – Major Holdings

Company	Description	Market Value £m	% Total Investments
Vodafone Group	Telecommunications	20.5	2.8
BP Amoco	Integrated Oil	20.1	2.7
Shell Transport & Trading	Integrated Oil	13.8	1.9
Glaxo Wellcome	Pharmaceuticals	13.0	1.8
HSBC Holdings	Banking	11.5	1.5
AstraZeneca	Pharmaceuticals	11.1	1.5
British Telecom	Telecommunications	10.8	1.4
Smithkline Beecham	Pharmaceuticals	9.8	1.3
Barclays	Banking	7.8	1.1
Lloyds TSB Group	Banking	7.4	1.0

The portion of the portfolio invested directly in the UK market outperformed the FTSE All-Share Index by 3.6 percentage points.

The rise and fall of the Telecom, Media and Technology sectors (TMT) was the major feature of the year. For the first six months of the Company's year, the market seemed almost driven, at times, by mass hysteria on the part of investors eager to buy any stock with 'dot.com' in its name. The last six months in contrast saw a more sober assessment of the prospects for the 'new economy' companies, many of which have seen the price of their stock fall by 50 per cent or more. The performance of the UK portfolio of the Company has been the mirror image of this, being relatively weak in the first six months, but more than recovering any relative shortfall by the year end. We deliberately avoided the worst excesses of the TMT sector, preferring to focus on those companies whose prospects and cash generative capabilities were more obvious.

The recent fall in the market has brought equity valuations back to a more attractive level. The threat to inflation of higher oil prices has been a negative factor, but, if as we believe, the price will be lower by the end of the first quarter of next year the current level of the market presents a buying opportunity.

Overseas

Continental Europe – Major Holdings

Company	Description	Market Value £m	% Total Investments
Nokia	Information Technology Hardware	3.8	0.5
ING Group	Insurance	3.3	0.5
Elf Aquitaine	Oil & Gas	3.2	0.4
Banco Santander Central Hispano	Banking	3.1	0.4
Nestle	Food Producers	2.8	0.4

The Europe (ex UK) portfolio outperformed the FTSE Europe (ex UK) Index by 16.6 percentage points.

Europe (ex UK) markets performed strongly during the year returning 20.5 per cent in sterling terms. Most of the gains occurred in the first six months of the Company's year, with TMT related stocks performing very strongly. In the second half, the rising costs associated with the infrastructure for the next generation of mobile phones was the key influence on the markets. TMT shares underperformed the broader market on fears that earnings growth will be lower than currently forecast. In contrast the shares of companies in more defensive sectors such as insurance, pharmaceutical and food manufacturing, outperformed in the second half of the year. For many of these companies, positive business momentum has led to earnings upgrades during 2000.

Despite concern over earnings near term, the medium term outlook remains promising. Restructuring by both governments and companies will continue to underpin earnings growth. During 2000, Germany has passed significant tax and pension reforms, and there have been major cross border corporate transactions involving European companies.

The portfolio maintains a growth bias, focusing on companies with strong franchises, where business momentum is positive.

Manager's Review

Continued

North America – Major Holdings

Company	Description	Market Value £m	% Total Investments
General Electric America	Electronic & Electrical Equipment	5.9	0.8
Cisco Systems	Software & Computer Services	5.2	0.7
American International Group	Insurance	4.9	0.7
Exxon Mobil	Oil & Gas	4.9	0.7
EMC	Information Technology	4.5	0.6

The North America portfolio underperformed the FTSE North America Index.

The North American market performed strongly over the year, with the FTSE North America Index returning 28.7 per cent in sterling terms. The gains came mainly in the first six months of the Company's year. The market was driven higher by excellent news on corporate earnings, significant productivity gains, abundant liquidity and low inflation data. It also became apparent in the first half of 2000 that the US economy was slowing and that, as a result, the Federal Reserve was not likely to increase interest rates significantly above 6.5 per cent. Since April however, investors have focused more on the stretched valuations, mainly in technology and telecom stocks, particularly as earnings momentum has been slowing from the peak in the first quarter of 2000. This combined with concerns about the high oil price and declining euro on corporate earnings has led to increased volatility.

In each of the last four quarters the annual growth in corporate earnings has exceeded 20 per cent. We expect this to slow to 10 per cent in 2001. We believe that interest rates are at or near their peak. However, we expect the market to remain volatile in the short term, but to be higher in a year's time.

The strategy for the portfolio is to remain focused on high quality, predominantly larger capitalisation stocks.

Japan – Major Holdings

Company	Description	Market Value £m	% Total Investments
Keyence	Electronics & Electrical Equipment	1.1	0.1
NTT Domoco	Telecommunications	1.1	0.1
Rohm	Information Technology	1.1	0.1
Kao	Personal Care & Household Goods	1.0	0.1
Toyota Motor	Automobiles	1.0	0.1

In terms of the local currency, the FTSE Japan Index was broadly unchanged over the year, although as a result of the relative strength of the yen the sterling return of the market was 10.5 per cent. As elsewhere the market was strong in the first six months on the back of a strong performance by the TMT sectors in the last quarter of 1999. By way of example the telecom sector rose by over 77 per cent. This was partially offset by significant weakness in the cyclical and value based sectors. In 2000 there has been a complete reversal of fortune with large capitalisation growth stocks, especially in the technology area, significantly underperforming a number of companies in sectors such as metals and real estate.

Essentially the market has failed to make any headway over the period for two distinct reasons. Firstly the huge moves in the technology sectors of the market in 1999 left share prices dangerously overvalued. Secondly the market considers the current strong earnings momentum to be the product of unsustainable trends in semiconductor prices and components demand. With little strong business momentum away from technology the market has struggled.

Japan continues to have major structural problems that preclude us from investing in certain areas of the equity market, while the current economic recovery is no better than lacklustre. However, we consider that corporate profits are likely to be more resilient over the next few years than is generally expected and we remain committed to the strong growth bias of the portfolio.

Manager's Review

Continued

Pacific (ex Japan) – Major Holdings

Company	Description	Market Value £m	% Total Investments
Taiwan Semiconductor	Information Technology	1.3	0.2
Samsung Electronics	Electronics & Electrical Equipment	0.7	0.1
Hon Hai Precision Industries	Electronics & Electrical Equipment	0.6	0.1
SK Telecom	Telecommunications	0.5	0.1
Korea Electric Power	Electricity	0.4	0.1

Despite strong economic growth, equities have been under pressure this year. This reflects increasing fear of a generalised slowdown of the global economic growth and the impact on the earnings of exporting companies, particularly those in the electronics sector. Expectations of slowing earnings momentum has driven down the price of many technology stocks by in the region of 40 to 50 per cent since the summer. The telecom sector has also been suffering, following the deratings of stocks in North America and Europe. A particular concern is the likely costs to be incurred in the development of the third generation telephone network. Other negative factors have been an increase in political policy risk in respect of Indonesia and The Philippines, and the rising price of oil, which has increased the fear of an economic slowdown. On the positive side, expectations of slower economic growth have reversed the outlook for interest rates, which has particularly helped financial stocks to outperform.

Current forecasts for the Far East (ex Japan) indicate a continued growth in GDP in 2000 with a slight slowdown in 2001. Going forward it is likely that any revisions will be on the downside, reflecting the slowing global economy and the impact of higher oil prices on industrial production.

In terms of asset allocation we are still very much focused on China, Hong Kong, Korea, Singapore and Taiwan, which, we believe, still offer the prospect of good long-term growth despite the recent setback for the region.

Buy-backs

During the course of the year the Company bought back ordinary shares, growth shares, warrants and the equities index unsecured loan stock (EIULS). The table below shows the amount and percentage of the original issue bought back for each class over each of the last five years.

Year ended 30 September		2000	1999	1998	1997	1996
Ordinary Shares	no	11,528,788	4,010,000	–	–	–
	%	3.57	1.24	–	–	–
Growth Shares	no	4,708,570	3,514,704	–	–	–
	%	7.66	5.72	–	–	–
Warrants	no	8,848,212	1,110,000	9,420,000	42,233,645	8,000,000
	%	11.52	1.45	12.27	54.99	10.42
EIULS	no	5,031,989	300,000	10,299,766	74,959,000	44,196,685
	%	3.57	0.21	7.31	53.20	31.37
Preference Shares	no	–	5,250,000	–	–	–
	%	–	100.00	–	–	–

Each purchase of ordinary shares, growth shares and warrants made during the last year has enhanced the fully diluted net asset value per share of the Company. It is estimated that the share buy-backs added approximately 1.5 pence to the fully diluted net asset value per share.

Overall Outlook

Markets have been unsettled by the rise in the price of oil and the continuing turmoil in the currency markets, which has seen the euro decline by over 20 per cent against the dollar. Nevertheless economic growth is expected to remain robust. The world economy grew by 2.7 per cent in 1999 and the consensus forecast for 2000 is for 3.5 per cent, falling to 3.0 per cent in 2001.

Equities appear to offer reasonable value. There should be little threat from interest rates, which look to be at or close to their peaks in the current cycle. We are expecting equity markets to be volatile over the next few months, but once the key issues are resolved, they should strengthen supported by the continuing growth in corporate earnings.

John Stubbs

Investment Manager

Friends Ivory & Sime plc

16 November 2000

Investment Portfolio

Company	Valuation £'000	% of Total Investments	% of Portfolio Income	% Change in Dividend 1999-2000*	Country of Incorporation
Investors Capital Trust (ICT) ICT is an investment trust owned 41.4 per cent by the Company as at 30 September 2000. It invests in UK equities and equity-related securities aiming to provide a total return in excess of the FTSE 350 Index.	235,774	31.9	43.1	1.8	UK
Vodafone Group Vodafone is the largest global provider of mobile telecommunications services.	20,528	2.8	0.6	5.0	UK
BP Amoco BP Amoco is one of the world's largest integrated oil and gas companies.	20,077	2.7	2.1	4.0	UK
Shell Transport & Trading The company holds a 40 per cent stake in one of the world's largest integrated oil and gas companies.	13,830	1.9	2.4	3.7	UK
Glaxo Wellcome A global manufacturer and marketer of ethical pharmaceutical products.	13,046	1.8	1.1	2.8	UK
HSBC Holdings HSBC provides a comprehensive range of banking and related financial services on a global basis.	11,525	1.5	1.4	12.0	UK
AstraZeneca The company is involved in the research, manufacture and sale of pharmaceuticals, agrochemicals.	11,128	1.5	0.7	2.9	UK
British Telecom BT is the dominant supplier of telecommunications services and equipment in the UK.	10,821	1.4	1.6	7.4	UK
Smithkline Beecham The company has a leading position in the discovery, research, development and marketing of pharmaceutical products.	9,820	1.3	0.7	11.0	UK
Barclays Barclays provides banking and other financial services to both retail and business markets.	7,844	1.1	1.0	16.7	UK
Ten largest investments	354,393	47.9	54.7		

Company	Nature of Business	Valuation £'000	% of Total Investments	% of Portfolio Income	% Change in Dividend 1999-2000*	Country of Incorporation
Lloyds TSB Group	Banks	7,414	1.0	1.5	17.8	UK
Jermyn Investment Properties	Real Estate	6,437	0.9	1.2	13.9	UK
General Electric America	Electronic & Electrical Equipment	5,924	0.8	0.5	17.1	USA
Amvescap	Speciality & Other Finance	5,856	0.8	0.2	11.8	UK
CGNU	Life Assurance	5,643	0.8	1.1	5.1	UK
Prudential	Life Assurance	5,630	0.7	0.7	8.3	UK
Cisco Systems	Software & Computer Services	5,204	0.7	—	N/A	USA
American International Group	Insurance	4,890	0.7	0.1	11.4	USA
Exxon Mobil	Oil & Gas	4,883	0.7	0.3	7.3	USA
Kelda	Water	4,590	0.6	1.4	8.0	UK
Twenty largest investments		410,864	55.6	61.7		
EMC	Information Technology	4,505	0.6	—	N/A	USA
Cable & Wireless	Telecommunications	4,246	0.6	0.3	11.1	UK
Abbey National	Banks	4,099	0.6	0.9	13.7	UK
Pfizer	Health	4,053	0.5	0.2	20.7	USA
Nokia	Information Technology Hardware	3,853	0.5	0.3	65.5	Finland
Logica	Software Services	3,809	0.5	0.1	35.0	UK
Oracle	Software & Computing Services	3,755	0.5	—	N/A	USA
Royal Bank of Scotland	Banks	3,713	0.5	0.4	16.1	UK
Citigroup	Banks	3,657	0.5	0.2	24.4	USA
Next	General Retailers	3,602	0.5	0.5	10.0	UK
Thirty largest investments		450,156	60.9	64.6		
Diageo	Beverages	3,476	0.5	0.6	8.1	UK
Standard Chartered	Banks	3,447	0.5	0.4	10.7	UK
Electrocomponents	Distributors	3,346	0.5	0.3	14.3	UK
ING Group	Insurance	3,253	0.5	0.4	41.2	Netherlands
Provident Financial	Speciality & Other Financial	3,249	0.4	0.5	9.8	UK
Marconi	Information Technology Hardware	3,247	0.4	0.1	N/A	UK
Nortel Networks	Information Technology	3,227	0.4	0.1	0.0	USA
Bass	Restaurants, Pubs & Breweries	3,206	0.4	0.8	6.2	UK
Elf Aquitaine	Oil & Gas	3,206	0.4	0.6	22.3	France
Anglo American	Mining	3,197	0.4	0.5	300.0	UK
Forty largest investments		483,010	65.3	68.9		
SSL International	Health	3,142	0.4	0.2	9.1	UK
Reuters Group	Media & Photography	3,141	0.4	0.2	0.0	UK
Wal-Mart Stores	General Retailers	3,086	0.4	0.1	21.9	USA
Banco Santander Central Hispano	Banks	3,062	0.4	0.3	23.5	Spain
Nestle	Food Producers	2,785	0.4	0.2	13.2	Switzerland
Tesco	Food & Drug Retailer	2,776	0.4	0.2	9.7	UK
United News & Media	Media & Photography	2,772	0.4	0.4	(3.1)	UK
Intel	Software & Computer Services	2,710	0.4	0.1	30.0	USA
Aventis	Pharmaceuticals	2,707	0.4	0.1	(26.2)	France
Credit Suisse	Banks	2,669	0.3	0.3	40.0	Switzerland
Fifty largest investments		511,860	69.2	71.0		
Other investments (161)		194,365	26.3			
UK Treasury Stock		33,333	4.5			
Total investments		739,558	100.0			

* British Assets Trust's financial years to 30 September 1999 and 2000.

Classification of Investments

	United Kingdom £'000	North America £'000	Continental Europe £'000	Japan £'000	Pacific (ex Japan) £'000	2000 Total £'000
Resources	38,025	4,883	5,781	—	—	48,689
Basic Industries	4,307	—	1,746	1,995	31	8,079
General Industrials	7,510	5,924	8,375	2,348	2,808	26,965
Cyclical Consumer Goods	1,213	1,045	795	2,444	—	5,497
Non-Cyclical Consumer Goods	50,055	11,801	9,505	2,520	—	73,881
Cyclical Services	41,401	9,136	1,935	1,260	715	54,447
Non-Cyclical Services	40,647	7,820	6,247	2,866	1,518	59,098
Utilities	19,326	4,335	1,786	715	1,496	27,658
Information Technology	12,440	24,961	8,379	3,716	1,824	51,320
Financials	76,740	11,968	20,335	3,238	2,317	114,598
Investors Capital Trust	235,774	—	—	—	—	235,774
Total	527,438	81,873	64,884	21,102	10,709	706,006
Fixed Interest	33,333	—	—	—	—	33,333
Unquoted	219	—	—	—	—	219
Total Investments	560,990	81,873	64,884	21,102	10,709	739,558
% of Total Investments	75.9	11.1	8.8	2.8	1.4	100.0

Long Term Record

Ten Year Record

At 30 September	Total Assets £'000	Equity Shareholders' Funds £'000	Net Asset Value per Equity Share	Ordinary Share Price	Discount (basic)	Earnings per Ordinary Share	Dividends per Ordinary Share
1991	570,217	363,743	94.7p	88.5p	6.5%	4.11p	4.040p
1992	539,636	345,026	89.8p	79.5p	11.5%	4.02p	4.190p
1993	641,260	423,744	110.4p	105.5p	4.4%	4.28p	4.280p
1994	597,696†	379,557†	98.8p†	94.0p	4.9%†	4.10p	4.380p
1995	672,502	422,977	110.2p	92.5p	16.0%	4.62p	4.555p
1996	693,909¶	463,824	120.8p	97.5p	19.3%	5.74p	4.655p
1997	607,465¶	543,717	141.6p	119.5p	15.6%	5.36p	4.825p
1998	606,396	514,921	134.1p	113.8p	15.2%	5.82p	4.985p
1999	669,003	578,057	153.5p	135.3p	11.9%	5.93p	5.045p
2000	746,863	642,232	178.3p	158.5p	11.1%	5.85p	5.216p

† Figures restated following adoption of accounting for Investors Capital Trust dividends on an accruals basis and valuing Investors Capital Trust at market price.

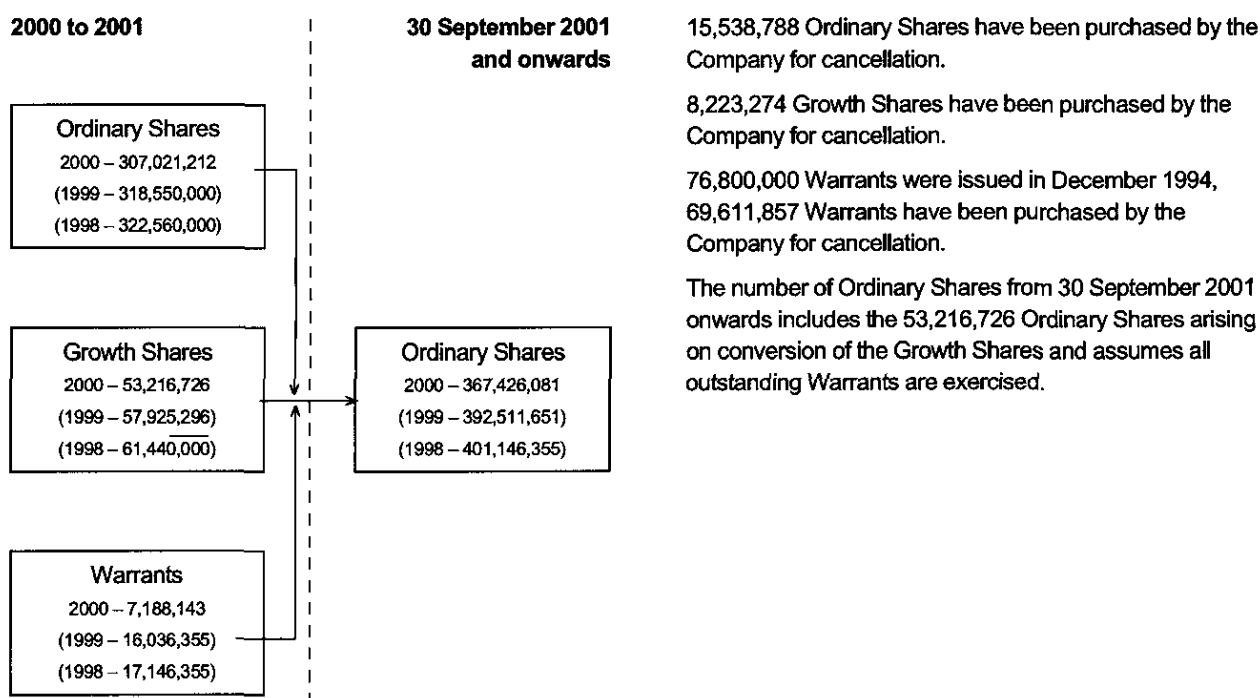
¶ Figures stated prior to deduction of Yen loan.

Capital Structure

At 30 September 2000

The Company's capital structure comprises Ordinary Shares, Growth Shares and Warrants. The Company also has units of Equities Index Unsecured Loan Stock and 6.625 per cent Bonds in issue.

The Growth Shares were issued in December 1994 and will be in existence until 30 September 2001 when the Growth Shares will automatically convert into Ordinary Shares. The Warrants were also issued in December 1994 and any outstanding Warrants will have been exercised in the period 1 July 2001 to 30 September 2001 or will expire. The process is illustrated in the diagram below.



Package

For those shareholders who elected for Growth Shares and Warrants at the time of the capital reorganisation, the package price is calculated as the sum of 21 Ordinary Shares, 4 Growth Shares and 5 Warrants, divided by 25.

	2000	1999	1995
Ordinary Share Price	158.5p	135.25p	92.50p
Growth Share Price	153.5p	129.0p	65.50p
Warrant Price	58.0p	48.0p	17.50p
Package Price	169.3p	143.8p	91.7p
Package Discount	5.0%	6.3%	16.8%

figures as at 30 September Source: Friends Ivory & Sime and Datastream

Ordinary Shares

At 30 September 2000 there were 307,021,212 Ordinary Shares of 25p each in issue (1999: 318,550,000).

The Ordinary Shares are designed to provide income and capital growth and their value will be dependent on the underlying income and capital growth of the Company's investment portfolio.

Income entitlement:

The profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed shall be distributed by way of interim or final dividends among the holders of the Ordinary Shares.

Capital entitlement:

After meeting the liabilities of the Company the surplus assets shall be paid to the holders of Ordinary Shares, Growth Shares and, to the extent relevant, the Warrants and distributed among such holders rateably according to the amounts paid up or credited as paid up.

Voting entitlement:

Each Ordinary Shareholder is entitled to one vote on a show of hands, and on a poll to one vote for every £4 nominal of Ordinary Shares capital held.

Growth Shares

At 30 September 2000 there were 53,216,726 Growth Shares of 25p each in issue (1999: 57,925,296).

Investment characteristics:

The Growth Shares are more suitable for those seeking capital growth and no current income. The return on the Growth Shares will be of a capital nature up to the conversion date.

Capital entitlement:

On a winding up of the Company, the capital entitlement of a Growth Share is the same as that of an Ordinary Share.

Income entitlement:

Holders of Growth Shares have no right to receive dividends out of the revenue or other profits of the Company.

Voting entitlement:

Each Growth Shareholder is entitled to one vote on a show of hands, and on a poll to one vote for every £4 nominal of Growth Share capital held.

Conversion entitlement:

Each Growth Share will be converted automatically into an Ordinary Share on 30 September 2001. Ordinary Shares arising on the conversion of Growth Shares will rank *pari passu* in all respects with the Ordinary Shares then in issue.

The Directors intend to pay the fourth interim dividend for the year ending 30 September 2001 to Ordinary Shareholders by reference to a record date shortly before that date. Accordingly, the Ordinary Shares arising on the conversion of the Growth Shares will not rank for that dividend.

Warrants

At 30 September 2000 there were 7,188,143 Warrants in issue (1999: 16,036,355).

Investment characteristics:

The Warrants provide a high degree of capital gearing to the performance of the Ordinary Shares. Warrants have the potential for higher capital appreciation but are liable to increased volatility and risk.

Subscription entitlement:

Each Warrant confers the right to subscribe for one Ordinary Share at any time during the period from 1 July 2001 to 30 September 2001 at 101 pence per share.

Capital Structure

Continued

Income entitlement:

Warrantholders have no entitlement to dividends.

Capital entitlement:

On a winding-up Warrants will rank *pari passu* with the Ordinary and Growth Shares in the distribution of the Company's surplus assets subject to an adjustment to reflect the non-payment of the subscription price.

Voting entitlement:

Warrantholders are not entitled to attend or vote at general meetings of the Company.

Equities Index Unsecured Loan Stock ('Loan Stock')

At 30 September 2000 there were 6,107,903 units of Loan Stock in issue (1999: 11,139,892).

Investment characteristics:

Units of Loan Stock entitle the holders to an income return that matches that of the FTSE All-Share Index (the 'Index') and, at maturity, a capital return that also matches that of the Index. Neither return is fixed and each moves up or down with the UK stockmarket.

Redemption:

As from 30 September 2000, each holder of the units of Loan Stock has the right to require the Company to redeem all or any part of their holding. After 1 January 2001, as less than 25 per cent of the original units remain in issue, the Company may redeem the whole of the remaining units. The Company shall redeem the whole Loan Stock, remaining in issue, on 31 December 2005.

For each unit of Loan Stock redeemed there shall be paid the capital value thereof together with accrued interest up to the date of redemption. The capital value of the Loan Stock at 30 September 2000 was 302.936p per unit.

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Board of Directors

William Thomson

Chairman

age 60, was appointed a Director in 1974 and is chairman of E. G. Thomson (Shipping) Ltd. He is a director of several companies including Investors Capital Trust, Fidelity Japanese Values, John Menzies and Dobbies Garden Centres.

Professor James S MacLeod

age 59 was appointed in 1998 and was a partner of Ernst & Young (and its predecessor firms) for 25 years until his retirement in 1998. His other directorships include Collective Assets Trust, Martin Currie High Income Trust and Invesco Geared Opportunities Trust.

Dr Christopher Masters

age 53, was appointed in 1990 and is executive chairman of Aggreko plc. Headquartered in Scotland but with operations in some 50 countries around the globe, Aggreko is a world leader in the supply of temporary power, temperature control and oil free compressed air. He is also Chairman of the Scottish Higher Education Funding Council and is a non-executive director of the Scottish Chamber Orchestra.

Sir Malcolm Rifkind

age 54, was appointed in 1998 and was formerly Foreign Secretary and Secretary of State for Defence. He is a director of Aberdeen Asset Management, Ramco Energy and Foreign & Colonial Emerging Markets.

James West

age 53, was appointed in 1995 and was a Managing Director of Lazard Brothers and Co Ltd and Chief Executive of Lazard Asset Management Ltd. He is Chairman of Gartmore Fledgling Index Trust and Intrinsic Value. He is a Director of Aberdeen New Dawn Investment Trust, Candover Investments and 3i UK Select Trust.

Report of the Directors

Results and Dividends

The Directors submit the Annual Report and Accounts of the Company for the year ended 30 September 2000.

	£'000
Revenue available for dividends	18,208
Dividends on Ordinary Shares:	
First quarterly interim dividend of 1.26125p per share paid on 7 April 2000	(3,898)
Second quarterly interim dividend of 1.26125p per share paid on 7 July 2000	(3,882)
Third quarterly interim dividend of 1.26125p per share paid on 7 October 2000	(3,874)
Proposed final dividend: of 1.43225p per share payable on 8 January 2001 to Ordinary Shareholders on the register at close of business on 8 December 2000	(4,397)
Over provision from year ended 30 September 1999	16
Transferred to revenue reserve	2,173

Principal Activity and Status

The Company is registered as a Public Limited Company in terms of the Companies Act 1985 and as an Investment Company as defined by Section 266 of the Companies Act 1985. The Company regained its investment company status on 1 September 2000.

The Company carries on business as an investment trust. It was approved by the Inland Revenue as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 September 1998. In the opinion of the Directors the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval.

The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year. However, under Corporation Tax Self Assessment, which applies to accounting periods ended after 30 June 1999, the Inland Revenue will no longer be obliged to give written approval. Instead the Inland Revenue have twelve months after the return filing date in which to give notice that they intend to enquire into the return but, if no such notice is given then approval may be assumed to have been obtained.

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

Charitable Donations

During the year the Company made donations to various local charities totalling £8,500 (1999 – £8,500).

Directors

Mr W R E Thomson retires from the Board by rotation and, being eligible, offers himself for re-election at the Annual General Meeting.

The Directors who held office at the year end and their beneficial interests in the shares and securities of the Company at 30 September 2000 were:

	Ordinary Shares		Growth Shares		Warrants		Loan Stock	
	2000	1999	2000	1999	2000	1999	2000	1999
W R E Thomson	6,720	6,720	1,280	1,280	1,600	1,600	—	—
Prof J S MacLeod	10,000	10,000	—	—	—	—	—	—
Dr C Masters	8,159	6,303	5,030	5,030	—	—	—	—
Sir Malcolm Rifkind	—	—	4,000	4,000	—	—	—	—
J G West	12,000	12,000	—	—	—	—	—	—

There has been no change in the holdings of the Directors between 30 September 2000 and 16 November 2000 other than as a result of monthly investment and the quarterly reinvestment of dividends through the Company's ZeroCharge™ investment plan.

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

Substantial Interests in Share Capital

The Board has been advised that the following shareholders owned 3 per cent or more of the issued share capital of either the Ordinary Shares or Growth Shares of the Company at 16 November 2000:

	Number of Ordinary Shares Held	Percentage Held	Number of Growth Shares Held	Percentage Held
AXA Investment Managers	45,721,496	15.0	—	—
Friends Provident Group*	37,011,656	12.2	13,982,862	26.3
Merseyside Pension Fund	—	—	10,000,000	18.8
Equitable Life Assurance Society	—	—	6,378,373	12.0
Scottish Life Assurance	—	—	4,420,327	8.3
Co-operative Insurance Society	—	—	2,655,727	5.0

*Includes retail products.

Since 30 September 2000 the Company has purchased for cancellation a further 2,621,212 Ordinary Shares. There are 304,400,000 Ordinary Shares and 53,216,726 Growth Shares in issue as at 16 November 2000.

Report of the Directors

Continued

Management and Management Fees

Details of the contract between the Company and Friends Ivory & Sime plc in respect of management services provided are given in Note 3 to the accounts.

Corporate Governance

The Board consists solely of non-executive Directors who are all independent of the Company's Managers. The Board receives full information on the Company's assets, liabilities and other relevant information in advance of Board Meetings. Arrangements to ensure the appropriate level of corporate governance have been put in place by the Board which it believes are appropriate to an investment trust and will enable the Company to comply with the Combined Code on Corporate Governance ('the Code').

Committees comprising the full Board carry out the functions of a Nomination and Management Remuneration Committee and, save for Professor MacLeod, an Audit Committee. The Audit Committee reviews the Annual Report and Accounts and the terms of appointment of the auditors together with their remuneration. The Board reviews the terms and conditions of the Managers' appointment on a regular basis. A management agreement between the Company and its Managers, Friends Ivory & Sime, sets out the matters over which the Managers have authority and the limits above which Board approval must be sought. All other matters are reserved for the approval of the Board of Directors.

The Managers, in the absence of explicit instructions from the Board, are empowered to exercise discretion in the use of the Company's voting rights.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

In view of its non-executive nature the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by the Code. However, the Board has agreed that all Directors should retire by rotation every three years. Full details of the duties of new Directors are provided at the time of appointment.

After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Directors are responsible for the Company's system of internal financial control. Guidance for Directors 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull Report) was published in September 1999. The Directors have considered the Turnbull Report and have established procedures necessary to implement the Turnbull guidance such that they expect to be able to comply with it for the accounting period ending 30 September 2001. The Directors have taken a risk-based approach to internal control, identifying the risks of the business, ensuring that controls are in place to manage these risks and ensuring that the controls operate effectively. The Company's system of internal control provides a framework for decision making and for protecting shareholders' assets. The purpose of the system is to give reasonable, but not absolute, assurance against material misstatement or loss.

The UK Listing Authority has implemented transitional arrangements which enable the Company to satisfy the requirements of the Code for this year by reporting on internal financial control. Day to day operations are delegated, through a management agreement, to Friends Ivory & Sime plc which has established and disseminated clearly defined policies and standards. The system of internal financial control includes procedures such as physical controls, segregation of duties, authorisation limits and comprehensive financial reporting to the Board. In accordance with the Code, the Directors have reviewed with the Investment Managers the effectiveness of the system of internal financial control.

Directors' Authority to Issue Shares

The Directors are seeking authority to allot shares. Resolution 5 will, if approved, authorise the Directors to allot new shares up to an aggregate nominal amount of £8,940,418, being 10 per cent of the total issued shares as at 16 November 2000. Resolution 6 will, if approved, authorise the Directors to allot new shares up to an aggregate nominal amount of £4,470,209, being 5 per cent of the total issued shares as at 16 November 2000, for cash without first offering such shares to existing shareholders pro rata to their existing holdings. These authorities will continue in effect until the conclusion of the Annual General Meeting in 2001. The Directors would only issue new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and in no circumstances would result in a dilution of net asset value per share.

The Resolutions are set out in the Notice of Annual General Meeting on page 48.

Relations with Shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. The Annual General Meeting of the Company provides a forum both formal and informal for shareholders to meet and discuss issues with the Directors and Managers of the Company.

Report of the Directors

Continued

Directors' Authority to Buy Back Shares

The current authority of the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Shares and 14.99 per cent of the issued Growth Shares expires at the end of the Annual General Meeting and Resolution 7, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the Annual General Meeting in 2001. The price paid for shares will not be less than the nominal value of 25p per share nor more than 5 per cent above the average of the market values of those shares for the five business days before the shares are purchased. This power will only be exercised if, in the opinion of the Directors, a repurchase would be in the best interests of the shareholders as a whole. Any shares repurchased under this authority will be cancelled.

As at 16 November 2000 there were outstanding 7,188,143 warrants to subscribe for Ordinary Shares, representing 2.0 per cent of the issued share capital of the Company at that date. If the existing share buy-back authority and the share buy-back authority referred to above are exercised in full, the outstanding warrants as at 16 November 2000 would represent 2.7 per cent of the issued share capital of the Company.

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.

Personal Equity Plans

The affairs of the Company have been conducted in such a way as to comply with the qualifying equity 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,

G J Humphries
Secretary



One Charlotte Square
Edinburgh EH2 4DZ
16 November 2000

Statement of Total Return

(Incorporating the Revenue Account*) For the year ended 30 September 2000

	Notes	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue (restated) £'000	1999 Capital £'000	1999 Total (restated) £'000
Gains on investments	10	—	96,643	96,643	—	78,716	78,716
Warrants purchased for cancellation	14, 15	—	(4,251)	(4,251)	—	(481)	(481)
Exchange differences	15	—	(2,407)	(2,407)	—	56	56
Loan stock	15	—	(1,902)	(1,902)	—	(5,535)	(5,535)
Income	2	23,499	—	23,499	24,369	336	24,705
Investment management fee	3	(851)	(1,702)	(2,553)	(785)	(1,210)	(1,995)
Other expenses	4	(929)	—	(929)	(581)	(182)	(763)
Net return before finance costs and taxation		21,719	86,381	108,100	23,003	71,700	94,703
Finance costs	6	(2,262)	(2,546)	(4,808)	(2,509)	(2,488)	(4,997)
Return on ordinary activities before tax		19,457	83,835	103,292	20,494	69,212	89,706
Tax on ordinary activities	7	(1,249)	881	(368)	(1,291)	977	(314)
Return on ordinary activities after tax for the financial year		18,208	84,716	102,924	19,203	70,189	89,392
Dividends in respect of non-equity shares	8	—	—	—	(88)	—	(88)
Return attributable to equity shareholders		18,208	84,716	102,924	19,115	70,189	89,304
Dividends in respect of equity shares	8	(16,035)	—	(16,035)	(16,194)	—	(16,194)
Transfer to reserves	15	2,173	84,716	86,889	2,921	70,189	73,110
Return per ordinary 25p share:							
Basic	9	5.85p	23.12p	28.97p	5.93p	18.42p	24.35p
Diluted (FRS 14)	9	5.78p	22.90p	28.68p	5.86p	18.21p	24.07p
Return per growth 25p share:							
Basic	9	—	23.12p	23.12p	—	18.42p	18.42p
Diluted (FRS 14)	9	—	22.90p	22.90p	—	18.21p	18.21p

* The revenue column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year.

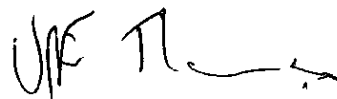
The accompanying notes are an integral part of this statement.

Balance Sheet

As at 30 September 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investments	10	<u>739,558</u>	<u>663,210</u>
Current assets			
Debtors	11	<u>3,191</u>	<u>12,659</u>
Cash at bank and on deposit		<u>18,971</u>	<u>5,590</u>
		<u>22,162</u>	<u>18,249</u>
Creditors: amounts falling due within one year	12	<u>(14,857)</u>	<u>(12,456)</u>
Net current assets		<u>7,305</u>	<u>5,793</u>
Total assets less current liabilities		<u>746,863</u>	<u>669,003</u>
Creditors: amounts falling due after more than one year	13	<u>(104,631)</u>	<u>(90,946)</u>
Net assets		<u>642,232</u>	<u>578,057</u>
Capital and reserves			
Called-up share capital	14	<u>90,059</u>	<u>94,119</u>
Share premium account	15	<u>3,630</u>	<u>3,630</u>
Other reserves—			
Capital reserve – realised	15	<u>252,875</u>	<u>232,930</u>
Capital reserve – unrealised	15	<u>270,676</u>	<u>228,619</u>
Capital redemption reserve	15	<u>5,941</u>	<u>1,881</u>
Revenue reserve	15	<u>19,051</u>	<u>16,878</u>
Total shareholders' funds	16	<u>642,232</u>	<u>578,057</u>
Equity shareholders' funds		<u>642,232</u>	<u>578,057</u>
Net asset value per share:			
Ordinary			
– Basic	16	<u>178.3p</u>	<u>153.5p</u>
– Fully diluted	16	<u>176.8p</u>	<u>151.4p</u>
– Diluted (FRS 14)	16	<u>177.0p</u>	<u>151.9p</u>

The financial statements on pages 29 to 44 were approved by the Board of Directors on 16 November 2000 and were signed on its behalf by:



W R E Thomson, Director

The accompanying notes are an integral part of this statement.

Cash Flow Statement

For the year ended 30 September 2000

	Notes	2000 £'000	1999 £'000
Operating activities			
Investment income received		22,868	23,399
Deposit interest received		904	1,038
Underwriting commission received		—	16
Investment management fees paid		(2,339)	(1,995)
Other cash payments		(771)	(973)
Net cash inflow from operating activities	18	20,662	21,485
Servicing of finance			
Interest paid on equities index unsecured loan stock		(530)	(747)
Interest on Yen loan		(201)	—
Interest on 6.625 per cent bonds		(1,987)	(3,975)
Bank overdraft interest		—	(7)
Non equity dividends paid		—	(178)
Premium on preference stock repaid		—	(65)
Net cash outflow from servicing of finance		(2,718)	(4,972)
Taxation			
Tax recovered		506	175
Capital expenditure and financial investment			
Purchases of investments		(210,420)	(182,587)
Disposals of investments		238,787	182,998
Capital distribution		—	319
Net cash inflow from capital expenditure and financial investment		28,367	730
Equity dividends paid		(15,918)	(16,338)
Net cash inflow before financing		30,899	1,080
Financing			
Ordinary shares purchased for cancellation		(16,195)	(5,427)
Growth shares purchased for cancellation		(6,385)	(4,523)
Equities index unsecured loan stock purchased for cancellation		(14,881)	(877)
Warrants purchased for cancellation		(4,251)	(481)
¥4.25 billion loan drawdown		23,901	—
Preference stock repaid		—	(5,250)
Net cash outflow from financing		(17,811)	(16,558)
Increase/(Decrease) in cash	20	13,088	(15,478)
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the year		13,088	(15,478)
¥4.25 billion loan drawdown		(23,901)	—
Equities index unsecured loan stock purchased for cancellation		14,881	877
Currency gains		293	56
Net debt at 1 October 1999		(85,356)	(65,213)
Net debt resulting from cash flows		(80,995)	(79,758)
Increase in equities index unsecured loan stock liability		(1,902)	(5,535)
Increase in Yen loan liability		(2,700)	—
Increase in 6.625 per cent bonds liability		(63)	(63)
Net debt at 30 September 2000	20	(85,660)	(85,356)

The accompanying notes are an integral part of this statement.

Notes to the Accounts

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, subject to the reference to FRS 16 noted below, is set out below.

a) Basis of Accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of fixed asset investments. The accounts are prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies.

b) 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.

Realised surpluses or deficits on the disposal of investments are taken to capital reserve – realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve – unrealised as explained in note 1(d) below.

c) Equities Index Unsecured Loan Stock 2005 ('Loan Stock')

The Loan Stock is valued by reference to the capital value of the FTSE All-Share Index using the year end rate.

d) Capital reserves

Capital Reserve – Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences on transactions of a capital nature
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the policies below
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature
- gains and losses from the purchase of units of the Loan Stock, share capital and warrant repurchases for cancellation

Capital Reserve – Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end
- provision for the change in value of the Loan Stock
- unrealised exchange differences in relation to the value of the Yen loan

e) Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

In accordance with FRS16 (current tax), franked investment income is now shown excluding any associated tax credit with a consequent reduction in the amount of the tax charge. The effect of this change in policy is to decrease franked investment income and the tax charge by £677,000 (1999: £2,168,000). There is no change to the return attributable to equity shareholders for any of the periods.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established.

Income from fixed interest securities, other investment income and deposit interest are included on an accruals basis.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income.

f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long term returns between revenue and capital.

g) Finance Costs

Finance costs are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, are allocated between revenue and capital in line with the Board's expected long-term split of returns, in the form of income and capital gains respectively, from the investment portfolio of the Company.

h) Foreign Currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in capital reserve.

Rates of Exchange at 30 September

	2000	1999
US Dollar	1.4785	1.6469
Japanese Yen	159.7667	175.3401
Euro	1.6755	1.5464

Notes to the Accounts

Continued

2. Income

	2000 £'000	1999 (restated) £'000
Income from investments		
Franked investment income	16,523	16,194
UK unfranked investment income	3,059	4,015
Overseas dividends	2,982	2,316
Foreign income dividends	—	690
Stock dividends	31	100
	22,595	23,315
Other income		
Deposit interest	904	1,038
Underwriting commission	—	16
	904	1,054
Total income	23,499	24,369
Total income comprises:		
Dividends	19,536	19,300
Interest	3,059	4,015
Other income	904	1,054
	23,499	24,369
Income from investments:		
Listed UK	19,582	20,966
Listed overseas	3,013	2,349
	22,595	23,315

3. Investment management fee

	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000
Investment management fee						
– basic	851	1,276	2,127	785	1,177	1,962
– outperformance	—	426	426	—	33	33
	851	1,702	2,553	785	1,210	1,995

The Company's investment manager is Friends Ivory & Sime plc. The contract between the Company and Friends Ivory & Sime plc may be terminated at any date by either party giving six months' notice of termination. Friends Ivory & Sime plc receives a basic quarterly fee, payable in advance, equal to 0.075 per cent of the value of the equity shareholders' funds of the Company less the value of Investors Capital Trust income annuity shares. A performance-related fee is calculated by reference to (i) the performance of the Company against the Company's benchmark index (ii) the extent to which the Company has sold Growth Shares in Investors Capital Trust and (iii) the value of equity shareholders' funds of the Company as at the close of business on the relevant quarterly valuation date and is payable in arrears. The performance-related fee is payable at a rate of up to a maximum of 0.075 per cent per quarter.

Basic investment management fees have been allocated 40 per cent to revenue and 60 per cent to capital.

The outperformance fees are charged 100 per cent to capital.

4. Other expenses

	2000 £'000	1999 £'000
Directors' fees (Note 5)	74	75
Auditors' remuneration for:		
– audit	17	16
– other services to the Company	9	17
ATC "its" marketing	216	–
Other	613	473
	929	581

Certain other expenses, primarily relating to marketing and promotional activities, charged to capital amounted to £Nil (1999: £182,000).

5. Directors' fees

The remuneration of the Chairman, the highest paid Director, was £20,560 (1999: £19,700). Dr C Masters, J West and Sir Malcolm Rifkind received £13,375 (1999: £12,900). Professor J S MacLeod received £13,375 (1999: £10,200).

6. Finance costs

	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000
On Bond, Loan Stock and Yen Loan:						
Repayable within 5 years, not by instalments						
– Yen Loan	82	123	205	–	–	–
Repayable wholly or partly in more than 5 years:						
– 6.25% Bond	1,615	2,423	4,038	1,615	2,423	4,038
– Equities Index Unsecured Loan Stock	565	–	565	887	–	887
Premium on preference stock repaid	–	–	–	–	65	65
Bank overdraft interest	–	–	–	7	–	7
	2,262	2,546	4,808	2,509	2,488	4,997

Finance costs in relation to the 6.625% Bond and the Yen Loan have been allocated 40 per cent to revenue and 60 per cent to capital. Interest on the Loan Stock has been allocated 100 per cent to revenue.

Notes to the Accounts

Continued

7. Tax on ordinary activities

	2000 Revenue £'000	2000 Capital £'000	2000 Total £'000	1999 Revenue (restated) £'000	1999 Capital £'000	1999 Total (restated) £'000
Corporation tax	1,249	(1,249)	–	1,291	(1,291)	–
Overseas taxation	368	–	368	314	–	314
	1,617	(1,249)	368	1,605	(1,291)	314
Relief for overseas taxation	(368)	368	–	(314)	314	–
	1,249	(881)	368	1,291	(977)	314

8. Dividends

	2000 £'000	1999 £'000
Dividends on equity shares:		
– ordinary-first quarterly paid 1.26125p (1999: 1.24625p) per Ordinary Share	3,898	4,020
– ordinary-second quarterly paid 1.26125p (1999: 1.24625p) per Ordinary Share	3,882	4,020
– ordinary-third quarterly paid 1.26125p (1999: 1.24625p) per Ordinary Share	3,874	3,993
– ordinary-proposed final 1.43225p (1999: 1.30625p) per Ordinary Share	4,397	4,161
	16,051	16,194
Overprovision of dividend in prior year (see below)	(16)	–
	16,035	16,194
Dividends on non-equity shares:		
– 3.15 per cent Preference Stock	–	20
– "A" 3.50 per cent Preference Stock	–	68
	–	88

On 17 November 1999 and 25 November 1999, 950,000 ordinary shares and 350,000 ordinary shares, respectively, were bought back for cancellation by the Company. As both these dates were prior to the ex-dividend date for the final dividend in respect of the year ended 30 September 1999, the dividend on these shares was not paid.

9. Returns per share

	2000 Revenue	2000 Capital	2000 Total	1999 Revenue	1999 Capital	1999 Total
Ordinary (Basic)	5.85p	23.12p	28.97p	5.93p	18.42p	24.35p
Ordinary (Diluted – FRS 14)	5.78p	22.90p	28.68p	5.86p	18.21p	24.07p
Growth (Basic)	–	23.12p	23.12p	–	18.42p	18.42p
Growth (Diluted – FRS 14)	–	22.90p	22.90p	–	18.21p	18.21p

The returns per Ordinary Share and Growth Share are based on (i) a numerator being the returns attributable to equity shareholders of:

	2000 Revenue £'000	2000 Capital £'000	1999 Revenue £'000	1999 Capital £'000
Ordinary (Basic; Diluted – FRS 14)	18,208	84,716	19,115	70,189
Growth (Basic; Diluted – FRS 14)	–	84,716	–	70,189

and (ii) a denominator being a specific number of shares as follows:

	2000	1999
Basic calculation:		
Weighted average number of shares in issue during the year		
Revenue return (Ordinary)	311,287,948	322,179,959
Capital return (Ordinary and Growth)	366,372,631	381,150,932

	2000 Revenue £'000	2000 Capital £'000	1999 Revenue £'000	1999 Capital £'000
Diluted calculation:				
Weighted average number of warrants in issue during the year	11,158,975	11,158,975	16,625,040	16,625,040
Less number of shares that would have been issued at fair value using an average price of 148.69p (1999: 135.00p) during the year	(7,579,908)	(7,579,908)	(12,437,993)	(12,437,993)
Notional shares that would have been issued for no consideration	3,579,067	3,579,067	4,187,047	4,187,047
Add weighted number of shares in issue during the year	311,287,948	366,372,631	322,179,959	381,150,932
Number of shares used to determine diluted return per share	314,867,015	369,951,698	326,367,006	385,337,979

Notes to the Accounts

Continued

10. Investments

	2000 £'000	1999 £'000
Investments listed on a recognised investment exchange	739,339	662,991
Unlisted investments	219	219
	739,558	663,210

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	276,014	134,433	4,521	414,968
Opening unrealised appreciation/(depreciation)	235,035	17,509	(4,302)	248,242
Opening valuation	511,049	151,942	219	663,210
Movements in the year:				
Purchases at cost	87,695	122,680	–	210,375
Sales – proceeds	(106,901)	(123,390)	(379)	(230,670)
– realised gains/(losses) on sales	43,277	16,984	(753)	59,508
Increase in unrealised appreciation	25,650	10,353	1,132	37,135
Closing valuation	560,770	178,569	219	739,558
Closing book cost	300,085	150,707	3,389	454,181
Closing unrealised appreciation/(depreciation)	260,685	27,862	(3,170)	285,377
Closing valuation	560,770	178,569	219	739,558

	2000 £'000	1999 £'000
Equity shares	691,713	619,575
Convertible securities	2,950	3,295
Fixed income securities	33,333	31,686
Other investments	11,562	8,654
	739,558	663,210
Realised gains on sales	59,508	66,015
Increase in unrealised appreciation	37,135	12,701
Gains on investments	96,643	78,716

11. Debtors

	2000 £'000	1999 £'000
Amounts due from brokers	917	9,034
Taxation recoverable	86	551
Prepayments and accrued income	2,188	3,074
	3,191	12,659

12. Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Amounts due to brokers	3,752	3,671
Third quarterly interim dividend	3,874	3,993
Proposed final dividend	4,397	4,161
Interest on 6.625% Bond	1,988	—
Interest on Loan Stock	124	221
Other creditors	722	410
	14,857	12,456

13. Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Equities Index Unsecured Loan Stock 2005	18,503	31,482
6.625 per cent Bonds 2008	59,527	59,464
Yen Loan 2003	26,601	—
	104,631	90,946

During the year the Company bought in for cancellation 5,031,989 units of Loan Stock for a total consideration of £14,881,000. As at 30 September 2000 there were 6,107,903 units in issue.

Subject to the provisions in the Trust Deed constituting the Loan Stock, the Company shall redeem the Loan Stock on 31 December 2005 at the Capital Value which will be determined by the level of the FTSE All-Share Index at that date. Interest paid on the units of the Loan Stock is equivalent to the net yield of the Index and is paid quarterly. For further details on the Loan Stock refer to page 22.

The Company has in issue £60 million nominal 6.625 per cent Bonds 2008 issued at 99.391 per cent. The Bonds have been treated in accordance with FRS 4, which requires any discount or issue costs to be amortised over the life of the Bonds.

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

Notes to the Accounts

Continued

14. Share capital

	2000 Shares	1999 Shares	2000 £'000	1999 £'000
Ordinary and Growth				
Authorised at 30 September				
Ordinary Shares of 25p each	399,360,000	399,360,000	99,840	99,840
Growth Shares of 25p each	61,440,000	61,440,000	15,360	15,360
			115,200	115,200
Allotted, called up and fully paid at 30 September				
Ordinary Shares of 25p each	307,021,212	318,550,000	76,755	79,638
Growth Shares of 25p each	53,216,726	57,925,296	13,304	14,481
			90,059	94,119

During the year the Company bought in for cancellation 11,528,788 Ordinary Shares of 25p each for a total consideration of £16,341,000 representing £2,883,000 nominal value and 3.57 per cent of the original number of Ordinary Shares in issue following the reorganisation in December 1994. As at 30 September 2000 there were 307,021,212 Ordinary Shares of 25p each in issue.

During the year the Company bought in 4,708,570 Growth Shares of 25p each for a total consideration of £6,373,000 representing £1,177,000 nominal value and 7.66 per cent of the original number of Growth Shares in issue. As at 30 September 2000 there were 53,216,726 Growth Shares of 25p each in issue.

During the year the Company bought in for cancellation 8,848,212 Warrants for a total consideration of £4,251,000. As at 30 September 2000 there were 7,188,143 Warrants to subscribe for Ordinary Shares at 101p each during the period 1 July 2001 to 30 September 2001.

For further details of the capital, income and other entitlements of the Company's share capital refer to the section of the annual report entitled Capital Structure.

15. Reserves

	Share premium account £'000	Capital reserve— realised £'000	Capital reserve— unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000
Beginning of year	3,630	232,930	228,619	1,881	16,878
Exchange differences		293	(2,700)		
Equities Index Unsecured Loan Stock units purchased for cancellation		(9,524)	9,524		
Net gain on realisation of investments		59,508			
Increase in unrealised appreciation on investments			37,135		
Net depreciation of Equities Index Unsecured Loan Stock 2005			(1,902)		
Warrants purchased for cancellation		(4,251)			
Ordinary Shares purchased for cancellation		(16,341)		2,883	
Growth Shares purchased for cancellation		(6,373)		1,177	
Management fees charged to capital		(1,702)			
Finance costs charged to capital		(2,546)			
Taxation credited to capital		881			
Retained net revenue for the year					2,173
	3,630	252,875	270,676	5,941	19,051

16. Net asset value per Ordinary and Growth Share

The net asset value per share and the net asset values attributable to the Ordinary Shares and Growth Shares at the year end calculated in accordance with their entitlements in the Articles of Association were as follows:

	Net asset value per share attributable		Net asset values attributable	
	2000 pence	1999 pence	2000 £'000	1999 £'000
Ordinary and Growth Shares (basic)	178.3	153.5	642,232	578,057
Ordinary and Growth Shares (fully diluted)	176.8	151.4	649,492	594,254
Ordinary and Growth Shares (FRS 14)	177.0	151.9	642,232	578,057

The movements during the year of the assets attributable to the Ordinary Shares were as follows:

	Ordinary Shares (basic) £'000
Total net assets attributable at beginning of year	578,057
Total recognised gains for the year	102,924
Dividends appropriated in the year	(16,035)
Ordinary Shares bought back for cancellation	(16,341)
Growth Shares bought back for cancellation	(6,373)
Total net assets attributable at end of year	642,232

Basic net asset value per Ordinary and Growth Share is calculated on equity shareholders' funds of £642,232,000 (1999: £578,057,000) divided by the number of Ordinary and Growth Shares in issue of 360,237,938 (1999: 376,475,296) to give 178.3p (1999: 153.5p).

The fully-diluted net asset value per Ordinary and Growth Share is calculated on the same basis as the basic and in addition assumes that all the Warrants in issue are exercised at £1.01. This increases equity shareholders' funds to £649,492,000 (1999: £594,254,000) and is divided by the notional number of shares in issue of 367,426,081 (1999: 392,511,651) to give 176.8p (1999: 151.4p).

The diluted net asset value per Ordinary and Growth Share, calculated in accordance with Financial Reporting Standard 14 is 177.0p (1999: 151.9p). This is based on equity shareholders' funds of £642,232,000 (1999: £578,057,000) and on 362,845,624 (1999: 380,536,258) shares, being the number of Ordinary and Growth Shares in issue at the year end plus the notional number of shares that would have been issued for no consideration using a year end ordinary share price of 158.50p (1999: 135.25p).

17. Participating interests

Name	Principal activity	Description of shares held	Issued capital £'000	Reserves £'000	Profit/(loss) for year £'000	Proportion of class held (%)	Valuation at 30.9.00 £'000
Investors Capital Trust plc (accounts to 30.9.00)	Investment Trust	Growth Income Annuity Warrants	59,640 62	545,148	15,311	41.44 60.78 51.37	212,559 11,653 11,562

Mr W R E Thomson is a director of Investors Capital Trust

Notes to the Accounts

Continued

18. Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities

	2000 £'000	1999 (restated) £'000
Net revenue before finance costs and taxation	21,719	23,003
Stock dividends	(31)	(100)
Decrease in accrued income	886	547
Increase/(decrease) in other creditors	335	(90)
Investment management fee charged to capital	(1,702)	(1,210)
Other expenses charged to capital	—	(182)
Tax on investment income	(545)	(483)
Net cash inflow from operating activities	20,662	21,485

19. Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Opening shareholders' funds	578,057	520,171
Total recognised gains before dividends	102,924	89,392
Dividends in respect of equity and non-equity shares	(16,035)	(16,282)
Ordinary shares bought back for cancellation	(16,341)	(5,439)
Growth Shares bought back for cancellation	(6,373)	(4,535)
Preference Stock repaid	—	(5,250)
Closing shareholders' funds	642,232	578,057

20. Analysis of changes in net debt

	At 1 October 1999 £'000	Cash flow £'000	Other movements £'000	Currency movements £'000	At 30 September 2000 £'000
Cash at bank and on deposit	5,590	13,088	—	293	18,971
Equities Index Unsecured Loan Stock	(31,482)	14,881	(1,902)	—	(18,503)
Bond 6.625 per cent	(59,464)	—	(63)	—	(59,527)
Yen Loan	—	(23,901)	—	(2,700)	(26,601)
	(85,356)	4,068	(1,965)	(2,407)	(85,660)

21. Financial instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and borrowings. As an investment fund the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings to achieve improved performance in rising markets. The downside risk of borrowings can be reduced by raising the level of cash balances or fixed interest investments held.

Fixed asset investments held (see note 10) are valued at middle market prices which equate to their fair values. The market value of the Company's bonds and loan stocks are disclosed in note 23. The fair value of all other financial assets and liabilities is represented by their carrying value in the balance sheet. Short term debtors and creditors are excluded from disclosure as allowed by FRS 13, other than for currency disclosures.

22. Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out on pages 16 and 17. Derivatives may be used from time to time to hedge specific currency risk or gain an exposure to a specific market.

As at 30 September 1999 the Company had entered into a Nikkei Simex Future position and during the year to 30 September 2000 entered into another Nikkei Simex Future position, both with a view to gain an exposure to the Japanese market. Both of the positions were closed during the year. The Company made a combined realised gain of £1,954,000.

As at the year end the Company has no exposure by means of derivatives.

23. Interest rate and liquidity risk

Floating rate

When the Company retains cash balances the majority of the cash is held in floating rate deposit accounts.

The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

At 30 September 2000, the Company held the following floating rate liability:

	2000 £'000	1999 £'000
<i>Equities Index Unsecured Loan Stock 2005</i>	18,503	31,482

The interest and capital liabilities of the Loan Stock move in accordance with movements in the income and capital returns of the FTSE All-Share Index. This exposure may be reduced by investing in fixed assets expected to perform in line with the FTSE All-Share Index.

Fixed rate

The Company holds fixed interest investments and has fixed interest liabilities.

At 30 September 2000:

	2000 £'000	2000 Interest rate	2000 Period until maturity	1999 £'000	1999 Interest rate	1999 Period until maturity
Fixed interest investments:						
UK Treasury 10.00%	33,333	10.00%	2.94 years	—	—	—
UK Treasury 8.00%	—	—	—	31,686	8.00%	3.69 years
Jermyn Investments 7.25% CULS	2,950	7.25%	7.92 years	3,295	7.25%	8.92 years
Fixed interest liabilities:						
Yen Loan 1.26%	26,601	1.26%	2.41 years	—	—	—
6.625% bonds	59,527	6.625%	7.50 years	59,464	6.625%	8.50 years

As the bonds are fixed rate, the Company is exposed to changes in market value in the event that the debt is repaid before maturity. This exposure may be reduced by raising the level of fixed interest investments held.

In respect of liquidity risk, the Company's assets comprise primarily realisable securities. Short term flexibility is achieved by retaining cash and where necessary through the use of overdraft facilities.

The market value of the bonds and loan stock at 30 September 2000 was £78.4 million (1999: £91.1 million).

Notes to the Accounts

Continued

24. Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. It is not the Company's policy to hedge this risk on a continuing basis but it may do so from time to time.

Foreign currency exposure at 30 September 2000:

	2000 Investments £'000	2000 Cash £'000	1999 Investments £'000	1999 Cash £'000
US Dollars	83,813	77	78,759	—
Euros	59,430	—	57,281	—
Danish Kroner	—	—	2,280	—
Swiss Franc	5,454	—	2,168	—
Yen	21,102	42	—	2,056
Australian Dollars	—	—	4,383	—
Hong Kong Dollars	5,325	—	5,009	—
South Korean Won	1,691	—	521	—
New Zealand Dollars	—	—	373	—
Singapore Dollars	1,501	—	986	—
Malaysian Dollars	184	80	—	—
Thailand Bhats	69	—	377	—
Total	178,569	199	152,137	2,056

The Company also has an exposure to Japan by means of a Fixed Rate Yen Loan position as detailed in note 23. As at 30 September 2000 the value of the loan was £26,601,000.

Directors' Responsibility Statement and Report of the Auditors

Directors' Responsibility Statement

The Directors are required by law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the revenue of the Company for that period.

They are also responsible for ensuring that adequate accounting records are maintained and that the assets of the Company are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts have been prepared on a going concern basis, appropriate accounting policies have been used and consistently applied and reasonable and prudent judgements and estimates have been made in the preparation of the accounts. Applicable UK accounting standards have been followed.

Report of the Auditors to the shareholders of British Assets Trust plc

We have audited the accounts on pages 29 to 44 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 32 and 33.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 26 and 27 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
Edinburgh
16 November 2000

Shareholder Information

Annual General Meeting

The Annual General Meeting of British Assets Trust plc will be held at One Charlotte Square, Edinburgh on 21 December 2000.

Dividends

Ordinary dividends are paid quarterly in April, July, October and January each year. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh on request. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent directly to shareholders' registered addresses.

Capital Gains Tax

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

Ordinary Shares	23 ⁵ / ₈ p
3.15% Preference Stock	29 ¹ / ₂ p
'A' 3.50% Preference Stock	32 ¹ / ₂ p

The undernoted values are to assist shareholders with regard to capital gains tax, following the capital reorganisation:

	First day of dealing value	Apportion- ment factor
Ordinary Shares	90.00 p	0.8441
Growth Shares	62.50 p	0.1103
Warrants	21.50p	0.0456

Share Prices

The Company's Ordinary Shares, Growth Shares and Warrants are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in the *Financial Times*, *The Scotsman*, *The Herald* and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Lloyds TSB Registrars Scotland, Registrar Department, under the signature of the registered holder.

Daily Net Asset Value

The net asset value of the Company's shares can be obtained by contacting Friends Ivory & Sime Customer Services on 0845 600 6166

Investment Services to Shareholders

ZeroCharge™ investment plans and ISAs

We have a number of cost-effective plans which will allow you to invest in the shares of British Assets Trust without incurring any initial, annual or exit plan charges. All the running costs of the plans are borne by British Assets Trust itself. Cost-effective, tax-efficient and flexible, the ZeroCharge™ investment plans include:

- An Individual Savings Account, for both lump sums and regular savings;
- PEP Transfer Plans where you can transfer your existing PEP investments without affecting their tax status; and
- An Investment Plan, for both lump sums and regular savings.

For more information on any of these plans, please call our Customer Services team on 0845 600 6166 (7 days a week, 24 hours a day) or visit our website www.itszerocharge.co.uk.

Ivory & Sime TrustLink Products

We also have a range of products available through Ivory & Sime TrustLink which are designed to enable investors to build shareholdings in British Assets Trust. These include a managed portfolio service offering a free lifetime guarantee.

Please contact your independent financial adviser for further information on any of these products.

The above has been approved by Friends Ivory & Sime plc which is a member of the Friends Provident Group and is regulated by IMRO. Stockmarkets and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount originally invested.

Financial Calendar 2000/01

21 December 2000	Annual General Meeting
8 January 2001	Proposed final dividend paid
April 2001	First interim dividend paid
May 2001	Announcement of Interim Results Posting of Interim Report
July 2001	Second interim dividend paid
October 2001	Third interim dividend paid
November 2001	Announcement of Annual Results Posting of Annual Report

Notice of Annual General Meeting

Notice is hereby given that the One Hundred and Third Annual General Meeting of British Assets Trust Public Limited Company will be held at One Charlotte Square, Edinburgh, on 21 December 2000 at 12.30 pm for the following purposes:

To consider and, if thought fit, pass the following Ordinary Resolutions:

1. That the Report and Accounts for the year to 30 September 2000 be received.
2. To approve a final dividend of 1.43225 pence per Ordinary Share.
3. That Mr Thomson who retires by rotation, be re-elected as a Director.
4. That Ernst & Young be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
5. That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £8,940,418 in substitution for any existing authority under Section 80(2) of the Act but without prejudice to any exercise of any such authority prior to the date hereof such authority to expire on the date of the next Annual General Meeting of the Company after the passing of this resolution but so that such authority shall allow the Company to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

To consider and, if thought fit, pass the following as Special Resolutions:

6. That the Directors be and are hereby authorised to allot equity securities (within the meaning of Section 94 of the Companies Act 1985 (the 'Act')) pursuant to the authority conferred by resolution number 5 proposed at the Annual General Meeting of the Company convened for 21 December 2000, as if Section 89 of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in the Company ('Shares') where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective number of Shares held (or deemed or notionally held) by them but subject to such exclusions or other arrangements as the Directors may think fit in relation to fractional entitlements or to deal with problems under the laws, or requirements of, any recognised body or Stock Exchange in any territory; and
 - (b) the allotment (other than pursuant to paragraph (a) of this resolution) of equity securities up to an aggregate nominal value of £4,470,209 (5 per cent of the equity share capital in issue on 16 November 2000);

and shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

7. That the Company be authorised, in accordance with Section 166 of the Companies Act (the 'Act'), to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 25p each ('Ordinary Shares') and growth shares of 25p each ('Growth Shares') in the share capital of the Company, provided that:

(a) in the case of Ordinary Shares:

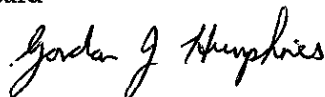
- (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Ordinary Shares on the date on which the resolution is passed;
- (ii) the minimum price which may be paid for an Ordinary Share shall be 25p;
- (iii) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the Ordinary Shares for the five business days immediately preceding the date of purchase; and
- (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 December 2001 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2001, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Ordinary Shares pursuant to any such contract; and

(b) in the case of Growth Shares:

- (i) the maximum number of Growth Shares hereby authorised to be purchased shall be 14.99 per cent of the issued Growth Shares on the date on which the resolution is passed;
- (ii) the minimum price which may be paid for a Growth Share shall be 25p;
- (iii) the maximum price (exclusive of expenses) which may be paid for a Growth Share shall be 105 per cent of the average of the middle market quotations (as derived from the Daily Official List) for the Growth Shares for the five business days immediately preceding the date of purchase; and
- (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 December 2001 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2001, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority and may make a purchase of Growth Shares pursuant to any such contract.

By Order of the Board

G J Humphries
Secretary



One Charlotte Square
Edinburgh EH2 4DZ
16 November 2000

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 and Growth 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.

To have the right to attend and vote at this meeting a holder of Ordinary Shares or Growth Shares must first have their name entered in the Register of Members not later than 48 hours prior to the meeting. Changes or entries to the Register after that time shall be disregarded in determining the rights of any holder of Ordinary Shares or Growth Shares to attend and vote at the meeting.

Warrantholders are not entitled to vote at the Meeting.

No Director has a contract of service with the Company.

Proxy

British Assets Trust plc

I/We _____
(BLOCK LETTERS PLEASE)

of _____
being a member of **British Assets Trust plc**, hereby appoint the Chairman of the meeting,
or*

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at One Charlotte Square, Edinburgh EH2 4DZ on 21 December 2000 at 12.30 pm, on the following Resolutions to be submitted to the meeting and at any adjournment thereof.

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote as he thinks fit or abstain.

Resolutions – Ordinary and Growth Shareholders	For	Against
1. To receive the Report and Accounts for the year to 30 September 2000.		
2. To approve a final dividend of 1.43225 pence per Ordinary Share.		
3. To re-elect Mr W R E Thomson as a Director.		
4. To re-appoint Ernst & Young as Auditors and to authorise the Directors to determine their remuneration.		
5. To authorise the Directors to allot relevant securities.		
6. To empower the Directors to allot equity securities without regard to pre-emptive rights.		
7. To renew the Directors' authority to make market purchases of ordinary and growth shares.		

Signature _____

Dated _____ Day of _____ 2000

Notes

*You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf.

In the case of a corporation, the proxy must be either under its common seal or under the hand of an officer.

In order to have effect, the proxy must be deposited at the Company's Registrars, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5ED at least 48 hours before the time of the meeting.

In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the Register will be counted.

Any alterations made in this proxy should be initialled.

Completion of a proxy shall not prevent a shareholder from attending at the Annual General Meeting.

SECOND FOLD

RESPONSE LICENCE No.
SCO4281

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Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh
EH3 5WZ

FIRST FOLD

THIRD FOLD AND TUCK IN

Corporate Information

Directors

William R E Thomson, (Chairman)
Dr Christopher Masters
Professor James S MacLeod
Sir Malcolm Rifkind, KCMG, QC
James G West

Secretary

Gordon J Humphries, CA

Registered Office

One Charlotte Square
Edinburgh EH2 4DZ
Tel No. 0131-465 1000
Fascimile No. 0131-225 2375
Telex No. 727242

Investment Managers

Friends Ivory & Sime plc
One Charlotte Square
Edinburgh EH2 4DZ

Registrars and Transfer Office

Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED

Registrar's Shareholder Helpline

Tel No. 0870 601 5366

Registrar's Broker Helpline

Tel No. 0906 559 6025

Auditors

Ernst & Young
Ten George Street
Edinburgh EH2 2DZ

Brokers

UBS Warburg
One Finsbury Avenue
London EC2M 2PP

Solicitors

Dickson Minto W.S.
11 Walker Street
Edinburgh EH3 7NE

Bankers

Chase Manhattan Bank
125 London Wall
London EC2Y 5AJ

For further information contact Friends Ivory & Sime
Customer Services on 0845 600 6166
