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British Assets Trust plc

Annual Report 2002



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The Company

The Company is an investment trust and its shares are listed on the Official List and traded on the London Stock Exchange. The Company is a member of the Association of Investment Trust Companies and is a constituent of the Global Growth & Income sector.

Total assets at 30 September 2002 were £453.2 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 maintain a progressive dividend policy which will be dependent upon, *inter alia*, the rate of revenue growth within the investment portfolio, and the level of dividend cover.

Management

The Board has appointed ISIS Asset Management plc as investment managers. The notice period is six months and further details of the management contract are provided in the Notes to the Accounts.

Capital Structure

The Company has a capital structure comprising Ordinary Shares.

The Company has 6.625 per cent Bonds 2008 and 6.25 per cent Bonds 2031 in issue.

How to Invest

ISIS Asset Management operates a number of ZeroChargeTM investment plans which facilitate investment in the shares of the Company. Details are contained on page 44.

Isa/Pep Status

The Company's shares are eligible for Isas and Pep transfers and can continue to be held in existing Peps.

Website

The Company's internet address is www.british-assets.co.uk

A Member of the Association
of Investment Trust Companies

Financial Highlights

- Share price total return of –21.2 per cent in line with the benchmark index despite net asset value underperformance
- Dividend yield 5.9 per cent
- Discount narrowed to 4.6 per cent
- Awarded ‘Investment Week Best Global Trust of the Year 2001’ since last Annual Report

British Assets Trust Net Asset Value Total Return v Composite Index

Performance Summary

British Assets Trust plc

	30 September 2002	30 September 2001	
Total Return			
Net asset value*†	(29.3)%	(18.7)%	
Ordinary Share price†	(21.2)%	(22.3)%	
Composite index†‡	(21.5)%	(22.7)%	
FTSE All-Share Index†	(20.8)%	(20.8)%	
FTSE World (ex UK) Index†	(23.4)%	(28.5)%	
			<u>% change</u>
Capital Values			
Net asset value	94.6p	139.4p	(32.1)
Ordinary Share price	90.3p	118.5p	(23.8)
Revenue and Dividends			
Earnings per Ordinary Share	4.04p	7.12p	(43.3)
Dividends per Ordinary Share #	5.326p	5.326p	—
Dividend Yield#	5.9%	4.5%	
Discount (difference between share price and net asset value)	4.6%	15.0%	
Gearing (100 = nil geared position) ‡			
Actual gearing	137	116	
Potential gearing	142	129	
Total expense ratio (as percentage of shareholders' funds)			
Management, marketing and other expenses	0.75%	0.56%	
Performance fee	0.19%	0.24%	
	2002 High	2002 Low	
Year's Highs/Lows			
Net asset value	154.2p	94.0p	
Ordinary Share price	142.3p	89.8p	
(Premium)/discount	(1.0)%	15.1%	

* Net asset value total return is calculated as the total return attributable to an Ordinary Share (2001: total return attributable to an Ordinary Share and 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) ÷ Equity Shareholders' Funds
Potential Gearing: Total Assets (excluding Yen loan) ÷ Equity Shareholders' Funds.

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

Excludes special dividend of 0.5p per Ordinary Share in respect of the year ended 30 September 2001.

Sources: ISIS Asset Management and Datastream.

Chairman's Statement

W R E Thomson
Chairman

supported the wealth creation of the 1990s. Markets were very volatile during this period and, in the last day of the financial year alone, the benchmark index fell by 4.1 per cent. During the last month of the year the FTSE All-Share Index fell to its lowest level for more than 6 years.

The following table provides a breakdown of the estimated contributions to the total return for the year.

Attribution of Return	Percentage points
Market/benchmark return	-21.5
Stock selection	
UK equities	-1.1
Overseas equities	-1.6
Corporate bonds	0.4
Asset allocation	3.2
Gearing	-8.0
Expenses	-0.7
British Assets Trust total return	<u>-29.3</u>

The year ended 30 September 2002 was a very difficult year for global stockmarkets

For the second year in succession global stockmarkets fell significantly. The Company's net asset value total return, with net dividends reinvested, was -29.3 per cent. This compared to a total return of -21.5 per cent from the benchmark index of 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index. Gearing was the main reason the Company underperformed the benchmark in net asset value terms. This was offset to some extent by positive asset allocation reflecting the decision to invest £35 million in corporate bonds and to hold some cash. Stock selection was also a drag on performance, with poor relative returns in Europe and North America. Following strong out-performance in 2001, the UK portfolio was slightly behind the FTSE All-Share Index for the year.

The Company's share price total return was -21.2 per cent, outperforming the benchmark index by 0.3 percentage points and the discount of share price to net asset value narrowed from 15.0 per cent, as at 30 September 2001, to 4.6 per cent at the end of the year. This narrowing of the discount reflects the ongoing support for the Company's investment approach and the attractive dividend yield, which at the year end was 5.9 per cent.

Stockmarkets performed very poorly in the second half of the financial year. The benchmark index, which returned 11.6 per cent in the first six months of the financial year, returned -29.6 per cent in the second half of the year. The collapse of Enron seriously undermined confidence in equities, with investors questioning the quality of the earnings that had

Against this background it is pleasing to report that, as an acknowledgement of the Company's performance record and investment approach, it was awarded 'Investment Week Best Global Trust of the Year' in November 2001.

Activity

During the year the Company invested £35 million of its liquidity in a corporate bond portfolio which, at the end of the year, represented 7.6 per cent of investments. The corporate bond portfolio is designed to increase the Company's investment income, assisting it in meeting its dividend objective, whilst also contributing to the capital return. The Company also continued to use cash to increase its exposure in the UK, facilitating a gradual shift from defensive stocks in favour of companies which are expected to benefit from a recovery in global demand.

Gearing

The Company's level of liquidity, which arose from the issue of the £60 million 30 year Bonds in September 2001, was reduced during the year. The newly issued Bonds, together with the Company's 2008 Bonds and Yen loan, resulted in total borrowings of £141 million as at 30 September 2002. The level of gearing at the year end, net of cash, was 36.8 per cent of shareholders' funds, of which 10.4 per cent was represented by the corporate bond portfolio.

The Company's geared position, during a time when stockmarkets were falling in value, was largely responsible for its underperformance during the year. Despite this, the Board does not consider it to be in the best interest of shareholders to de-gear the Company to any material extent in these conditions. In times of falling markets gearing is detrimental to performance, but when markets rise gearing will provide a positive contribution to performance.

All the Company's borrowings, except the Yen loan, are of a long term nature. The Board believed at the time of issuing the 30 year Bonds in September 2001, and continues to believe, that there are good long term prospects for equities which will exceed the cost of financing the borrowings, thereby providing the opportunity for attractive returns for shareholders over the life of the Bonds.

Revenue Reserves

Shareholders are reminded that, as a result of the conversion of Growth Shares to Ordinary Shares on 30 September 2001 and the exercise of Warrants during the year ended on that date, there is now a much larger number of Ordinary Shares in issue. As previously communicated to shareholders, it is therefore unlikely that the annual dividend cost will be covered by earnings for some years to come. In anticipation of this, the Company has accumulated sufficient revenue reserves over the past few years to continue its stated dividend policy. The level of dividend cover provided by the Revenue Reserve was 98 per cent at 30 September 2002.

To strengthen further the Company's position and increase flexibility with regard to future dividend payments, it is proposed that the Company seeks shareholder approval to increase the amount of reserves available for distribution as dividends.

At the Annual General Meeting a resolution will therefore be proposed to cancel the Company's Share Premium Account and Capital Redemption Reserve. Subject to the approval of shareholders and the subsequent approval of the Court, a new special reserve of the Company will be created by this cancellation which may be treated as profits available to the Company for the purpose of paying future dividends and buying back shares. The amount available for cancellation in this way is £14.7 million, representing 78 per cent of the current annual dividend cost.

Earnings and Dividends

The Company's earnings were 4.04p per Ordinary Share in respect of the year ended 30 September 2002.

In my statement to shareholders last year I indicated that, due to the uncertain economic conditions and the payment of the special dividend of 0.5p per Ordinary Share in respect of the year ended 30 September 2001, it was unlikely that there would be an increase in dividend payments per share for the year ended 30 September 2002. In light of this statement and the economic conditions that prevailed during the year, the Board has proposed a final dividend of 1.414p per Ordinary Share payable on 10 January 2003 to shareholders on the register on 13 December 2002. This brings total dividends for the financial year to 5.326p per Ordinary Share, unchanged compared to the year ended 30 September 2001 excluding the special dividend.

However, subject to stockmarket and economic conditions *not deteriorating significantly further and the approval by shareholders of the resolution described above*, the Board expects there to be a modest increase in dividends for the year ended 30 September 2003.

Marketing

During the year our retail initiatives continued to create demand for the Company's shares through the ZeroChargeTM Individual Savings Accounts (Isas) and Investment Plans. During a period when the market for Isas as a whole was significantly lower, it is very encouraging that demand created through the plans increased by 50 per cent compared to the previous year.

Our retail initiatives have also created demand for the Company's shares from private client stockbrokers and directly from private investors.

The Board will continue to place emphasis on marketing the Company's shares through these channels.

Share Buy-Backs

The Company did not buy back any shares during the year.

The Board remains of the view that it is important to have a share buy-back facility in place. It is therefore seeking to renew its authority from shareholders to buy back up to 14.99 per cent of Ordinary Shares in issue as the existing

Chairman's Statement

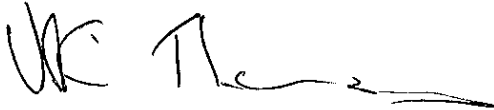
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authority, to the extent not utilised, will expire at this year's AGM. Further details are set out in the Report of the Directors.

The Board will also seek shareholder approval at the AGM to issue new shares where to do so would not result in a dilution of net asset value, thereby disadvantaging existing shareholders' interests.

Outlook

Although the outlook remains uncertain, the Board believes that equity markets currently represent good value as compared to bonds and that the Company should stick with its geared position in anticipation of a modest recovery in global stockmarkets in the year ahead.

A handwritten signature in black ink, appearing to read 'W R E Thomson', with a long horizontal flourish extending to the right.

W R E Thomson

Chairman

15 November 2002

Investment Managers and Investment Process

British Assets Trust plc

Julie Dent

Investment Manager

Julie Dent joined ISIS Asset Management in 1986 and was appointed investment Manager of British Assets Trust on 1 October 2001. She is Director, Global Equities of ISIS Asset Management and has over 16 years' experience in managing international equities.

Gordon Humphries

Company Secretary

Gordon Humphries, a chartered accountant, joined ISIS Asset Management in 1988 and was appointed Company Secretary of British Assets Trust in April 1995. He is Director, Investment Trust Business Development of ISIS Asset Management and has over 19 years experience in the financial services sector.

Investment Managers

ISIS Asset Management is a global investment management business and its shares are listed on the Official List and traded on the London Stock Exchange.

With some £59 billion of assets under management as at 30 September 2002, ISIS Asset Management 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 nineteen investment companies.

Investment Process

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

In managing the portfolio emphasis is placed on both top-down asset allocation, with reference to the Company's investment objective, coupled with bottom-up stock selection in the regional sub-portfolios. The majority of the Company's investment portfolio is invested in securities traded on the London Stock Exchange.

Manager's Review

Introduction

In the year to 30 September 2002, the Company's net asset value (total return, net dividends reinvested) fell by 29.3 per cent, compared to a fall of 21.5 per cent for its composite benchmark index (75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index). The Company's share price total return was –21.2 per cent, slightly ahead of the benchmark.

2002 has been another tough year for global stockmarkets as investors have faced weaker than expected economic growth and disappointing corporate profit announcements. Ongoing concerns over the potential war with Iraq and numerous high profile corporate scandals have further damaged investor confidence.

Asset Allocation

The asset allocation of the Company by asset class and region is shown in the table below:

Asset Class	Benchmark 30.09.02 %	30 September 2001		30 September 2002	
		Net Share- holders Funds %	Total Assets %	Net Share- holders Funds %	Total Assets* %
UK Equities	75.0	81.3	63.0	91.4	64.2
Overseas Equities					
– Europe (ex UK)	5.0	7.5	5.8	7.3	5.1
– North America	16.1	22.6	17.5	20.3	14.4
– Japan	2.5	2.5	2.0	3.2	2.3
– Far East (ex Japan)	1.4	1.4	1.1	3.2	2.2
Total Overseas Equities	25.0	34.0	26.4	34.0	24.0
Total Equities	100.0	115.3	89.4	125.4	88.2
Corporate Bonds	–	–	–	10.4	7.3
Convertible Securities	–	1.0	0.7	1.0	0.7
Liquidity	–	–	9.9	–	3.8
Actual Gearing	–	(16.3)	–	(36.8)	–
Total	100.0	100.0	100.0	100.0	100.0
Potential Gearing	–	(29.1)	–	(42.2)	–

*Prior to deduction of Yen loan

We began the year overweight in North America and Continental Europe and we held 9.9 per cent of our total assets in cash. During the year the key investment decisions were the introduction of a corporate bond portfolio late in 2001 and the shift from overweight to underweight in the US in the second quarter of 2002.

At the end of September 2002 the Company had gearing of 136.8 per cent (including 10.4 per cent invested in corporate bonds) and potential gearing of 142.2 per cent.

The table below shows the equity weightings by sector in the benchmark and the portfolio as at 30 September 2002:

FTSE Sector	Benchmark %	Total Equities %	UK Equities %	Overseas Equities %
Resources	14.5	14.2	12.1	2.1
Basic Industries	3.6	2.9	1.9	1.0
General Industrials	4.2	5.2	2.2	3.0
Cyclical Consumer Goods	1.2	0.8	0.2	0.6
Non-Cyclical Consumer Goods	21.2	21.1	14.8	6.3
Cyclical Services	13.9	14.0	10.2	3.8
Non-Cyclical Services	8.8	8.4	6.7	1.7
Utilities	4.0	5.7	5.0	0.7
Information Technology	3.1	2.4	0.2	2.2
Financials	25.5	25.3	19.6	5.7
Total	100.0	100.0	72.9	27.1

During the year we made a gradual shift in favour of cyclical sectors and away from defensive areas. The net result of this was that we ended the year broadly neutral versus our benchmark at the sector level.

Manager's Review

Continued

Sub-Portfolio Reports

UK – Major Holdings

Company	Description	Market Value £m	% Total Investments
BP	Integrated Oil	25.6	5.6
GlaxoSmithKline	Pharmaceuticals	22.8	5.0
Shell Transport & Trading	Integrated Oil	15.6	3.4
Vodafone Group	Telecommunications	14.5	3.2
HSBC Holdings	Banks	14.0	3.0
Barclays	Banks	10.3	2.2
Lloyds TSB Group	Banks	10.0	2.2
AstraZeneca	Pharmaceuticals	9.0	2.0
Royal Bank of Scotland Group	Banks	8.2	1.8
Diageo	Beverages	7.3	1.6

The UK portfolio underperformed the FTSE All-Share Index by 1.1 percentage points over the year.

The UK economy remained relatively resilient throughout the year, supported by low interest rates and buoyant consumer spending. Base rates were last cut in November 2001 to 4.0 per cent, their lowest level for 40 years. The manufacturing, technology and telecommunications industries have borne the brunt of the global slowdown.

The UK equity market, as measured by the FTSE All-Share Index fell 20.8 per cent on a total return basis over the year. Given the deteriorating background, defensive sectors proved more resilient with personal care, tobacco and food producers posting the biggest gains. Whilst the telecom and technology sectors had another year of very poor performance, they were also joined by the insurance and life assurance sectors, the former down 46.7 per cent and the latter down 49.8 per cent. This reflected solvency concerns given weak stockmarkets and funding calls. Elsewhere some of the more defensive highly rated sectors had a tough year. For example, the pharmaceutical and biotech sector fell 37.7 per cent as expiring patents on key drugs and concerns over a lack of new products in the pipeline brought into question their future earnings growth prospects. Basic materials sectors saw good performance as global demand recovered and domestic sectors, which benefited from ongoing strength in consumer spending, especially in the housing related areas outperformed the market.

The current bear market in equities is almost three years in duration and has seen the FTSE All-Share Index fall by some 45 per cent from its high. UK equities look attractively valued versus bonds at current levels and should benefit as the economic and profit outlook improves.

Overseas

Continental Europe – Major Holdings

Company	Description	Market Value £m	% Total Investments
Nestle	Food Producer & Processor	2.0	0.4
UBS	Speciality & Other Finance	1.9	0.4
Total Fina	Oil & Gas	1.7	0.4
Aventis	Pharmaceuticals	1.5	0.3
Royal Dutch Petroleum	Oil & Gas	1.3	0.3

The Europe (ex UK) portfolio had a poor year, underperforming the FTSE Europe (ex UK) Index by 7.6 percentage points.

Against a challenging economic backdrop, European equities registered the second worst performance amongst key global markets over the year, with the FTSE Europe (ex UK) Index declining 25.4 per cent in sterling terms. The key negatives were structural weaknesses in the German economy, question marks surrounding the sustainability of the global economic recovery and increasingly tough business conditions. With pressure on earnings estimates persisting throughout 2001 and into 2002, investors sought shelter in defensive and consumer-related areas of the market, including tobacco, real estate, transport and beverage stocks. Some cyclical sectors such as forestry and steel were also amongst the better performers.

In contrast, Technology, Media and Telecommunications stocks struggled throughout the year, as the sector was adversely affected by a number of profit warnings from telecoms related companies, including that of Finnish handsets manufacturer Nokia. However, some of the worst performance came from the insurance and life assurance sectors, as they were caught in a downwards spiral on the back of solvency-related issues.

Eurozone gross domestic product figures released in September showed second-quarter growth of just 0.3 per cent, which led the European Commission to lower its full-year growth forecast to less than 1 per cent. Despite trimming interest rates to 3.25 per cent, the European Central Bank raised the prospects of further interest rate cuts, as they remained concerned about the uncertain political and economic climate.

Manager's Review

Continued

North America – Major Holdings

Company	Description	Market Value £m	% Total Investments
Pfizer	Health	3.6	0.8
Medtronic	Health	3.1	0.7
Exxon Mobil	Oil & Gas	3.0	0.6
Wells Fargo & Co	Banks	2.9	0.6
Citigroup	Banks	2.8	0.6

The North America portfolio underperformed the FTSE North America Index by 4.4 percentage points over the year.

The North American market had another poor year with the FTSE North America Index down 25.7 per cent in sterling terms. Concerns over the sustainability of the US economic recovery, widespread accounting scandals and the ongoing 'War Against Terror' all weighed negatively on investor sentiment throughout the year. Particularly affected were the Technology, Media and Telecommunications sectors. In contrast smaller and mid-capitalised companies fared better, as they offered better value and appeared set to benefit most from the expected recovery in demand.

Growth signals from the US economy remain mixed but are consistent with our expectation of sluggish growth but not recession as we enter 2003. Business spending continues to be constrained by weak demand expectations as well as geopolitical uncertainties. Consumer spending has proved resilient, supported by low interest rates.

Given our belief that stockmarkets are likely to reward companies with exceptional yet realistic business models, the focus is very much on individual stock selection. We currently have a well-diversified North American portfolio with a mixture of stable growth businesses and economic recovery plays.

Japan – Major Holdings

Company	Description	Market Value £m	% Total Investments
Mitsubishi Tokyo Finance	Banking	0.6	0.1
Toyota Motor	Automobiles & Parts	0.6	0.1
Shin-Etsu Chemical	Chemicals	0.5	0.1
Seven-Eleven	Food & Drug Retailer	0.5	0.1
Nikko Cordial	Speciality & Other Finance	0.5	0.1

The Japan portfolio outperformed the FTSE Japan Index by 2.3 percentage points over the year.

Despite the FTSE Japan Index registering a decline of 15.7 per cent in sterling terms during the year, the country's stockmarket fared relatively better than its US, UK and European counterparts. The domestic economy started the year in recession and gripped in a deflationary spiral. Retail sales, industrial output and corporate results all disappointed. At the same time, Japanese banks continued to suffer as a result of past lending decisions, difficulties in writing off bad debt and problems of making money from loans while short-term interest rates remained at zero. This partially accounted for the poor performances from the banking and other finance-related stocks during the year as a whole.

As we progressed further into 2002 the export-led recovery gathered momentum with a strong improvement in car and electrical machinery exports driving industrial production higher. By the second quarter, export demand was growing by 8.6 per cent year-on-year. The improvement in both economic fundamentals and business sentiment reflected well on those sectors geared to the economic recovery.

Manager's Review

Continued

Far East (ex Japan) – Major Holdings

Company	Description	Market Value £m	% Total Investments
Samsung Electronic	Electronics & Electrical Equipment	1.2	0.3
Formosa Growth Fund	Investment Company	0.7	0.1
Keppel	Engineering & Machinery	0.6	0.1
Kookmin Bank	Banking	0.5	0.1
SK Telecom	Telecommunications	0.5	0.1

The Far East (ex Japan) portfolio underperformed the benchmark by 3.6 percentage points over the year.

The economic recovery that was set in place in during the final quarter of 2001 continued to gather momentum throughout 2002. The pick up in industrial production growth for both Korea and Taiwan was particularly marked, whilst official statistics indicated that industrial production in China was also considerably stronger, mainly as a result of strong growth in trade and government spending. Exports also continued to increase in most countries whilst others, notably Korea and Thailand, have witnessed a domestic consumption boom fuelled by easier access to consumer credit.

The region's markets enjoyed substantial gains over the reporting period, comfortably outperforming all other developed markets, as hopes of a US-led global economic recovery transpired. The Korean stockmarket led the way soaring by over 100 per cent in the first six months of the period. These gains were partially shed as the US economic recovery slowed, although the market held onto gains in excess of 51 per cent in sterling terms over the course of the year.

Corporate Bonds

We invested £35 million in a diversified portfolio of corporate bonds in late 2001, aimed at providing an attractive level of income whilst still offering the potential for capital growth. The portfolio is broadly split: 65 per cent in investment grade corporate bonds and 35 per cent in high yield corporate bonds.

Fixed interest markets performed relatively well during the year, as investors remained cautious towards equities. Strong institutional demand for good quality non-gilt issues also helped support a 10.8 per cent rise in the Merrill Lynch All Sterling non-Gilts Index. High yield bonds performed less well as the ongoing uncertainty about the outlook for global growth and a rising number of defaults resulted in a 4.7 per cent decline in the Merrill Lynch European Currency High Yield Index (in sterling terms).

Overall Outlook

We expect interest rates in the major economies to remain at or below current levels for some time as the economic indicators remain mixed. The UK economy continues to fare reasonably well. The manufacturing sector remains weak but is slowly starting to recover. The personal sector remains very strong. In Euroland the outlook for the German economy continues to deteriorate. The recent floods have damaged sentiment, the labour market remains weak and the removal of the scheduled tax cuts is a further blow to consumption. For the remaining 65 per cent of Euroland, the outlook is more favourable, with some national business confidence indicators suggesting a greater degree of domestic resilience. The Japanese economy remains weak with little evidence of a sustainable recovery in domestic demand.

For now we will stick with our current broadly neutral regional asset allocation and will keep our cash until we see a more visible earnings recovery and some sense that investor sentiment is improving. The Company remains reasonably highly geared at the current time but we hold with our view that now is not the time to de-gear the portfolio. The corporate bond portfolio continues to perform well whilst providing the Company with a good income and we intend to run with this portfolio for the year ahead.

Given the tough economic and competitive climate, stock selection will be the main driver for returns in the year ahead. In a world of modest equity returns, companies that consistently reward their shareholders by paying an attractive and growing dividend are likely to prosper.

Julie Dent

Investment Manager

ISIS Asset Management plc

15 November 2002

Investment Portfolio

Company	Valuation £'000	% of Total Investments	% of Portfolio Income	% Change in Dividend 2001–2002*	Country of Incorporation
BP BP is one of the world's largest integrated oil and gas companies.	25,602	5.6	5.3	6.7	UK
GlaxoSmithKline A global manufacturer and marketer of ethical pharmaceutical products.	22,817	5.0	4.1	1.7	UK
Shell Transport & Trading The company holds a 40 per cent stake in one of the world's largest integrated oil and gas companies.	15,606	3.4	3.5	1.0	UK
Vodafone Group Vodafone is the largest global provider of mobile telecommunication services.	14,482	3.2	1.5	5.0	UK
HSBC Holdings HSBC provides a comprehensive range of banking and related financial services on a global basis.	13,966	3.0	6.0	4.2	UK
Barclays Barclays provides banking and other financial services to both retail and business markets.	10,328	2.2	2.7	13.0	UK
Lloyds TSB Group The group provides retail and commercial banking services through its branch network and offices in the UK and overseas.	10,004	2.2	4.1	8.6	UK
AstraZeneca The company is involved in the research, manufacture and sale of pharmaceuticals and agrochemicals.	8,965	2.0	1.8	0.0	UK
Royal Bank of Scotland Group Royal Bank of Scotland provides a range of banking, insurance and other financial services.	8,214	1.8	1.5	15.1	UK
Diageo The company is involved in the production, distribution and marketing of spirits, beer and wine.	7,338	1.6	1.2	6.7	UK
Ten largest equity investments	137,322	30.0	31.7		

* British Assets Trust's financial years to 30 September 2001 and 2002.

Company	Nature of Business	Valuation £'000	% of Total Investments	% of Portfolio Income	Country of Incorporation
HBOS	Banks	5,106	1.1	1.4	UK
BT Group	Telecommunications	5,036	1.1	0.3	UK
British American Tobacco	Tobacco	5,026	1.1	1.4	UK
Northern Rock	Banks	4,656	1.0	0.7	UK
Abbey National	Banks	4,511	1.0	2.5	UK
Kelda Group	Water	4,482	1.0	1.7	UK
Cadbury Schweppes	Food Producers & Processors	4,419	0.9	0.7	UK
Standard Life European Private Equity Trust	Investment Company	4,100	0.9	0.1	UK
Standard Chartered	Banks	4,043	0.9	0.4	UK
Tesco	Food & Drug Retailer	4,038	0.9	0.6	UK
Twenty largest equity investments		182,739	39.9	41.5	
Anglo American	Mining	4,025	0.9	1.4	UK
Unilever	Food Producers & Processors	3,990	0.9	0.6	UK
Boots	General Retailers	3,905	0.9	1.1	UK
Aviva	Life Assurance	3,875	0.8	2.0	UK
Scottish & Southern Energy	Electricity	3,785	0.8	1.0	UK
United Utilities	Water	3,738	0.8	1.7	UK
Prudential	Life Assurance	3,722	0.8	1.6	UK
Pfizer	Health	3,586	0.8	0.4	USA
Scottish & Newcastle	Beverages	3,527	0.8	1.0	UK
National Grid	Electricity	3,497	0.8	0.7	UK
Thirty largest equity investments		220,389	48.2	53.0	
GUS	General Retailers	3,188	0.7	0.7	UK
Medtronic	Health	3,077	0.7	0.1	USA
Next	General Retailers	3,066	0.7	0.5	UK
Exxon Mobil	Oil & Gas	3,037	0.6	0.5	USA
Wells Fargo & Co	Banks	2,864	0.6	0.4	USA
Rio Tinto	Mining	2,850	0.6	0.7	UK
Citigroup	Banks	2,753	0.6	0.4	USA
Rexam	Support Services	2,698	0.6	0.6	UK
Reckitt Benckiser	Personal Care & Household Products	2,677	0.6	0.3	UK
BAA	Transport	2,597	0.6	0.5	UK
Forty largest equity investments		249,196	54.5	57.7	
BG Group	Oil & Gas	2,493	0.5	0.2	UK
Procter & Gamble	Household Products	2,447	0.5	0.3	USA
Smiths Group	Aerospace & Defence	2,436	0.5	0.5	UK
BAE Systems	Aerospace & Defence	2,430	0.5	0.7	UK
General Electric	Electricals	2,264	0.5	0.4	USA
Microsoft Corporation	Information Technology	2,249	0.5	–	USA
Johnson & Johnson	Health	2,237	0.5	0.2	USA
National Express Group	Transport	2,228	0.5	0.7	UK
American International Group	Insurance	2,200	0.5	–	USA
BPB	Construction & Building Materials	2,153	0.5	0.6	UK
Fifty largest equity investments		272,333	59.5	61.3	
Other equity investments (191)		146,841	32.1	22.0	
Corporate bonds (87)		34,826	7.6	14.7	
Convertible securities (1)		3,471	0.8	2.0	
Total investments		457,471	100.0	100.0	

Classification of Investments

	United Kingdom £'000	Continental Europe £'000	North America £'000	Japan £'000	Far East (ex Japan) £'000	2002 Total £'000
Sector Weighting						
Resources	50,575	2,971	5,136	—	809	59,491
Basic Industries	8,134	1,466	1,147	869	490	12,106
General Industrials	9,210	1,404	6,712	2,164	2,247	21,737
Cyclical Consumer Goods	826	1,291	—	794	259	3,170
Non-Cyclical Consumer Goods	61,824	5,717	19,575	1,165	230	88,511
Cyclical Services	42,920	1,831	10,960	1,545	1,719	58,975
Non-Cyclical Services	27,844	2,183	2,480	1,055	1,725	35,287
Utilities	20,998	392	1,889	462	—	23,741
Information Technology	981	1,674	6,603	1,000	—	10,258
Financials	82,105	5,355	13,461	1,840	3,137	105,898
Total	305,417	24,284	67,963	10,894	10,616	419,174
Corporate Bonds	13,719	17,829	3,278	—	—	34,826
Convertible Securities	3,471	—	—	—	—	3,471
Total Investments	322,607	42,113	71,241	10,894	10,616	457,471
% of Total Investments	70.5	9.2	15.6	2.4	2.3	100.0

Equity portfolio weighting (% total equity investments) versus Benchmark Index*

* The Benchmark Index represents a weighting of 75 per cent in the FTSE All-Share Index and 25 per cent in the FTSE World (ex UK) Index.

The Company's capital structure comprises Ordinary Shares. The Company also has 6.625 per cent Bonds 2008 and 6.25 per cent Bonds 2031 in issue.

Ordinary Shares

At 30 September 2002 there were 353,362,282 Ordinary Shares of 25p each in issue (2001: same).

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 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 Share capital held.

Long Term Record

Ten Year Record

At 30 September	Total Assets £'000	Equity Shareholders' Funds £'000	Net Asset Value per Ordinary Share	Ordinary Share Price	Discount (basic)	Earnings per Ordinary Share	Dividends per Ordinary Share
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
2001	635,514	492,418	139.4p	118.5p	15.0%	7.12p	5.326p#
2002	475,398‡	334,309	94.6p	90.3p	4.6%	4.04p	5.326p

† 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.

#Excludes special dividend of 0.5p per Ordinary Share.

Board of Directors

William Thomson

Chairman

age 62, was appointed a Director in 1974 and is chairman of E. G. Thomson (Shipping) Ltd. He is also chairman of John Menzies plc and a director of several other companies including Fidelity Japanese Values plc and Dobbies Garden Centres plc.

James MacLeod

age 61, 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 plc, Martin Currie High Income Trust plc and Invesco Geared Opportunities Trust plc.

Dr Christopher Masters

age 55, was appointed in 1990 and was, until April 2002, executive chairman of Aggreko plc. He is currently chairman of Babtie Group Ltd, Voxar Ltd, the Festival City Theatres Trust and the Scottish Higher Education Funding Council. He is also a non-executive director of John Wood Group plc and the Scottish Chamber Orchestra.

Sir Malcolm Rifkind

age 56, was appointed in 1998 and was formerly Foreign Secretary and Secretary of State for Defence. He is a director of Aberdeen Asset Management plc, Ramco Energy plc and Foreign & Colonial Emerging Markets Investment Trust plc.

James West

age 55, was appointed in 1995 and was formerly managing director of Lazard Brothers and Co Ltd and chief executive of Lazard Asset Management Ltd. He is chairman of Gartmore Fledgling Trust plc, Aberdeen Convertible Income Trust plc, Jupiter Financial & Income Trust plc and Intrinsic Value plc. He is a director of Aberdeen New Dawn Investment Trust plc, Candover Investments plc, Shires Smaller Companies plc and UK Select Trust plc.

Report of the Directors

British Assets Trust plc

Results and Dividends

The Directors submit the Annual Report and Accounts of the Company for the year ended 30 September 2002.

	£'000
Revenue available for dividends	14,277
Dividends on Ordinary Shares:	
First quarterly interim dividend of 1.304p per share paid on 12 April 2002	(4,608)
Second quarterly interim dividend of 1.304p per share paid on 12 July 2002	(4,608)
Third quarterly interim dividend of 1.304p per share paid on 11 October 2002	(4,608)
Proposed final dividend of 1.414p per share payable on 10 January 2003 to ordinary shareholders on the register at close of business on 13 December 2002	(4,997)
Overprovision in respect of prior years	30
Transferred from revenue reserve	(4,514)

Principal Activity and Status

The Company is registered as a Public Limited Company in terms of the Companies Act 1985 and is an Investment Company as defined by Section 266 of the Companies Act 1985.

The Company carries on business as an investment trust. It has been 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 2001. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval.

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 (2001 – £8,500).

Directors

Mr J G West and Mr J S MacLeod retire from the Board by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

The Directors who held office at the year end and their interests in the shares of the Company as at 30 September 2002 were:

		Ordinary Shares	Ordinary Shares
		2002	2001
W R E Thomson	Beneficial	9,600	9,600
J S MacLeod	Beneficial	10,000	10,000
	Non-Beneficial	9,500	9,500
Dr C Masters	Beneficial	16,174	14,880
Sir Malcolm Rifkind	Beneficial	4,000	4,000
J G West	Beneficial	12,000	12,000

Report of the Directors

Continued

There has been no change in the holdings of the Directors between 30 September 2002 and 15 November 2002 other than as a result of the quarterly reinvestment of dividends.

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 the Company at 15 November 2002:

	Number of Ordinary Shares Held	Percentage Held
AXA Investment Managers	43,845,891	12.4
Friends Provident Group*	38,870,338	11.0

*Includes discretionary retail products.

Management and Management Fees

Details of the contract between the Company and ISIS Asset Management 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. The Company complies with the Combined Code on Corporate Governance ('the Code'), except as disclosed in the following paragraph. Since all the Directors are non-executive, the Company is not required to comply with the principles of the Code in respect of Directors' remuneration.

In view of its non-executive nature and the requirement of the Articles of Association that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term or for a senior independent director to be appointed as recommended by the Code. However, the Board has agreed that each Director will retire and, if appropriate, seek re-election at the completion of each three years' service. Full details of the duties of new Directors are provided at the time of appointment.

Committees comprising the full Board carry out the functions of a Nomination and Management Remuneration Committee and, save for Mr J S 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 appropriateness of the Managers' appointment together with the terms and conditions thereof on a regular basis. A management agreement between the Company and its Managers, ISIS Asset Management plc, 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. All shareholdings are voted at all meetings worldwide where practicable, in accordance with the Managers' own corporate governance policy.

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.

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.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. The process is based principally on the Managers' existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Managers and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The test matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action, which has been, or is being, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of FRAG 21 and similar reports issued by the Managers and other service providers.

Such review procedures have been in place throughout the full financial year and up to the date of approval of the Annual Report and the Board is satisfied with their effectiveness. By their nature these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss. The Board monitors the investment performance of the Company in comparison to the benchmark index and to comparable investment trusts at each Board meeting. The Board also reviews the Company's activities since the last Board meeting to ensure that the Managers adhere to the agreed investment policy and approved investment guidelines and, if necessary, approve changes to such policy and guidelines.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Managers, including their internal audit function and the work carried out by the Company's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Directors' Authority to Issue Shares

The Directors are seeking authority to allot shares. Resolution 6 will, if approved, authorise the Directors to allot new shares up to an aggregate nominal amount of £8,834,057, being 10 per cent of the total issued shares as at 15 November 2002. Resolution 7 will, if approved, authorise the Directors to allot

Report of the Directors

Continued

new shares up to an aggregate nominal amount of £4,417,028, being 5 per cent of the total issued shares as at 15 November 2002, 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 2003. The Directors will 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.

Directors' Authority to Buy Back Shares

The Company did not purchase any shares for cancellation during the year.

The current authority of the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Shares expires at the end of the Annual General Meeting and Resolution 8, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the Annual General Meeting in 2003. 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 is in the best interests of the shareholders as a whole. Any shares repurchased under this authority will be cancelled.

Revenue Reserves

To strengthen further the Company's revenue reserves and increase flexibility with regard to future dividend payments, it is proposed that the Company seeks shareholder approval to increase the amount of reserves available for distribution as dividends.

At the Annual General Meeting a resolution will therefore be proposed to cancel the Company's Share Premium Account and Capital Redemption Reserve. Subject to the approval of shareholders and the subsequent approval of the Court, a new special reserve of the Company will be created by this cancellation which may be treated as profits available to the Company for the purpose of paying future dividends and buying back shares. The amount available for cancellation in this way is £14.7 million, representing 78 per cent of the current annual dividend cost.

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.

Auditors

Ernst & Young LLP 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.

Individual Savings Accounts and Personal Equity Plans

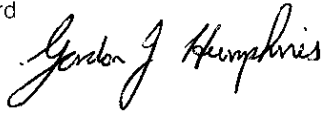
The Company's shares are qualifying investments as defined by the Inland Revenue regulations for Individual Savings Accounts and Personal Equity Plans. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

Environment

The Company seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions.

By Order of the Board

G J Humphries
Secretary



One Charlotte Square
Edinburgh EH2 4DZ
15 November 2002

Statement of Total Return

(Incorporating the Revenue Account*) For the year ended 30 September 2002

	Notes	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
Losses on investments	10	—	(147,328)	(147,328)	—	(142,407)	(142,407)
Warrants purchased for cancellation		—	—	—	—	(1,774)	(1,774)
Exchange differences	15	—	1,825	1,825	—	2,453	2,453
Equities Index Unsecured Loan Stock		—	—	—	—	4,766	4,766
Income	2	18,408	—	18,408	26,753	—	26,753
Investment management fee	3	(563)	(2,456)	(3,019)	(832)	(2,587)	(3,419)
Other expenses	4	(832)	—	(832)	(1,095)	—	(1,095)
Net return before finance costs and taxation		17,013	(147,959)	(130,946)	24,826	(139,549)	(114,723)
Finance costs	6	(2,026)	(6,077)	(8,103)	(2,269)	(2,784)	(5,053)
Return on ordinary activities before taxation		14,987	(154,036)	(139,049)	22,557	(142,333)	(119,776)
Tax on ordinary activities	7	(710)	441	(269)	(897)	655	(242)
Return attributable to equity shareholders		14,277	(153,595)	(139,318)	21,660	(141,678)	(120,018)
Dividends in respect of equity shares	8	(18,791)	—	(18,791)	(17,666)	—	(17,666)
Transfer (from)/to reserves	15	(4,514)	(153,595)	(158,109)	3,994	(141,678)	(137,684)
Return per Ordinary Share:							
Basic	9	4.04p	(43.47)p	(39.43)p	7.12p	(40.16)p	(33.04)p
Diluted	9	4.04p	(43.47)p	(39.43)p	7.08p	(39.93)p	(32.85)p

* 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 2002

British Assets Trust plc

	Notes	2002 £'000	2001 £'000
Fixed assets			
Investments	10	457,471	572,445
Current assets			
Debtors	11	5,865	7,665
Cash at bank and on deposit		23,333	68,765
		29,198	76,430
Creditors: amounts falling due within one year	12	(33,470)	(13,361)
Net current (liabilities)/assets		(4,272)	63,069
Total assets less current liabilities		453,199	635,514
Creditors: amounts falling due after more than one year	13	(118,890)	(143,096)
Net assets		334,309	492,418
Capital and reserves			
Called-up share capital	14	88,341	88,341
Share premium account	15	6,188	6,188
Other reserves:			
Capital reserve – realised	15	339,189	378,085
Capital reserve – unrealised	15	(126,441)	(11,742)
Capital redemption reserve	15	8,501	8,501
Revenue reserve	15	18,531	23,045
Equity shareholders' funds	16	334,309	492,418
Net asset value per share	17	94.6p	139.4p

The accounts on pages 26 to 40 were approved by the Board of Directors on 15 November 2002 and 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 2002

	Notes	2002 £'000	2001 £'000
Operating activities			
Investment income received		16,190	24,483
Deposit interest received		1,197	716
Investment management fees paid		(3,451)	(3,201)
Other cash payments		(982)	(745)
Net cash inflow from operating activities	18	12,954	21,253
Servicing of finance			
Interest paid on Equities Index Unsecured Loan Stock		–	(497)
Interest on Yen loan		(287)	(315)
Interest on 6.625 per cent Bonds 2008		(5,963)	(3,975)
Interest on 6.25 per cent Bonds 2031		(3,750)	–
Bank overdraft interest		–	(78)
Net cash outflow from servicing of finance		(10,000)	(4,865)
Taxation			
Tax recovered		111	65
Capital expenditure and financial investment			
Purchases of investments		(216,094)	(175,568)
Disposals of investments		183,690	196,169
Net cash (outflow)/inflow from capital expenditure and financial investment		(32,404)	20,601
Equity dividends paid		(18,968)	(16,170)
Net cash (outflow)/inflow before financing		(48,307)	20,884
Financing			
Issue of Ordinary Shares from exercise of Warrants		2,650	751
Ordinary Shares purchased for cancellation		–	(6,025)
Growth Shares purchased for cancellation		–	(9,662)
Equities Index Unsecured Loan Stock purchased for cancellation		–	(13,737)
Warrants purchased for cancellation		–	(1,774)
6.25 per cent Bonds 2031 issued		–	59,231
Costs in relation to issue of 6.25 per cent Bonds 2031		(21)	–
Net cash inflow from financing		2,629	28,784
(Decrease)/increase in cash	19	(45,678)	49,668
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(45,678)	49,668
6.25 per cent Bonds 2031 issued		–	(59,231)
Costs in relation to issue of 6.25 per cent Bonds 2031		21	–
Equities Index Unsecured Loan Stock purchased for cancellation		–	13,737
Movement in net debt resulting from cash flows		(45,657)	4,174
Currency gains		246	126
Decrease in Equities Index Unsecured Loan Stock liability		–	4,766
Decrease in Yen loan liability		2,075	2,327
Increase in 6.625 per cent Bonds 2008 liability		(63)	(63)
Increase in 6.25 per cent Bonds 2031 liability		(26)	(1)
Net debt at 1 October 2001		(74,331)	(85,660)
Net debt at 30 September 2002	19	(117,756)	(74,331)

The accompanying notes are an integral part of this statement.

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 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(c) below.

c) 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 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 Ordinary Shares repurchased 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
- unrealised exchange differences in relation to the value of the Yen loan and forward foreign currency contracts.

d) Income

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

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

Income from fixed interest securities, other investment income and deposit interest are recognised 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.

e) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are *differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.*

f) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated between revenue and capital in accordance with the expected long-term revenue and capital returns from the Company's investment portfolio.

Notes to the Accounts

Continued

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 reserves.

Rates of Exchange at 30 September

	2002	2001
US Dollar	1.5726	1.4697
Japanese Yen	191.4480	175.0854
Euro	1.5913	1.6138

2. Income

	2002 £'000	2001 £'000
Income from investments		
Franked investment income	12,619	22,036
Unfranked investment income	1,226	2,118
Overseas dividends	2,078	1,883
Overseas interest	1,288	—
	17,211	26,037
Other income		
Deposit interest	1,197	716
Total income	18,408	26,753
Total income comprises:		
Dividends	14,697	23,919
Fixed interest securities	2,514	2,118
Deposit interest	1,197	716
	18,408	26,753
Income from investments:		
Listed UK	13,845	24,154
Listed overseas	3,366	1,883
	17,211	26,037

3. Investment management fee

	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
Investment management fee:						
~ basic	563	1,690	2,253	832	1,249	2,081
~ performance	—	766	766	—	1,338	1,338
	563	2,456	3,019	832	2,587	3,419

The Company's investment manager is ISIS Asset Management plc. The contract between the Company and ISIS Asset Management plc may be terminated at any date by either party giving six months' notice of termination. During the year ISIS Asset Management plc received a basic quarterly fee, payable in advance, equal to 0.075 per cent of the value of Company's total assets less current liabilities. ISIS Asset Management plc also received a performance-related fee calculated by reference to (i) the performance of the Company against the benchmark index over the 12 month period ended on the relevant quarterly valuation date (ii) the value of equity shareholders' funds of the Company as at the close of business on the relevant quarterly valuation date, payable in arrears. The performance-related fee is payable at a rate of up to a maximum of 0.075 per cent per quarter.

With effect from 1 October 2001 basic investment management fees have been allocated 25 per cent to revenue and 75 per cent to capital. In the previous year these costs were allocated 40 per cent to revenue and 60 per cent to capital. The change in the allocation reflects the Board's revised expected long-term allocation of return in the form of income and capital returns respectively from the Company's investment portfolio. If this change had not been implemented an additional £338,000 would have been charged to revenue.

The performance fees are charged 100 per cent to capital.

Notes to the Accounts

Continued

4. Other expenses

	2002 £'000	2001 £'000
Directors' fees (Note 5)	80	77
Auditors' remuneration for:		
– audit	18	18
– other services to the Company	8	26
AIRC "its" marketing	–	115
Other	726	859
	832	1,095

The auditors also received fees of £10,000 (2001: £Nil) in connection with the issue of the £60 million 6.25 per cent Bonds 2031.

5. Directors' fees

The remuneration of the Chairman, the highest paid Director, was £22,062 (2001: £21,312). The other Directors each received £14,375 (2001: £13,875).

6. Finance costs

	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
Repayable within 5 years, not by instalments						
– Yen loan	72	217	289	126	188	314
– Equities Index Unsecured Loan Stock	–	–	–	413	–	413
Repayable wholly or partly in more than 5 years:						
– 6.625 per cent Bonds 2008	1,010	3,028	4,038	1,615	2,423	4,038
– 6.25 per cent Bonds 2031	944	2,832	3,776	84	126	210
Bank overdraft interest	–	–	–	31	47	78
	2,026	6,077	8,103	2,269	2,784	5,053

With effect from 1 October 2001 finance costs have been allocated 25 per cent to revenue and 75 per cent to capital. In the previous year these costs were allocated 40 per cent to revenue and 60 per cent to capital. The change in the allocation reflects the Board's revised expected long-term allocation of return in the form of income and capital returns respectively from the Company's investment portfolio. If this change had not been implemented an additional £1,215,000 would have been charged to revenue.

7 a). Tax on ordinary activities

	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000	2001 Revenue £'000	2001 Capital £'000	2001 Total £'000
Corporation tax	710	(710)	–	897	(897)	–
Relief for overseas taxation	(269)	269	–	(242)	242	–
	441	(441)	–	655	(655)	–
Overseas taxation	269	–	269	242	–	242
	710	(441)	269	897	(655)	242

The Company has £13,775,000 unutilised management expenses at 30 September 2002 (2001: £7,458,000). No deferred tax asset has been recognised on the unutilised management expenses as it is unlikely there will be suitable taxable profits from which the future reversal of the deferred tax asset could be deducted.

7 b). Reconciliation of tax charge

A reconciliation of the current tax charge is set out below:

	2002 £'000	2001 £'000
Return on ordinary activities before taxation	14,987	22,557
Corporation tax at standard rate of 30 per cent	4,496	6,767
Effects of:		
Non-taxable dividend income	(3,786)	(6,611)
Relief for expenses charged to capital	–	741
Current year tax charge	710	897

8. Dividends

	2002 £'000	2001 £'000
Dividends on Ordinary Shares:		
– first quarterly paid 1.304p (2001: 1.304p) per share	4,608	3,964
– second quarterly paid 1.304p (2001: 1.304p) per share	4,608	3,964
– third quarterly paid 1.304p (2001: 1.304p) per share	4,608	3,964
– special-nil (2001: 0.50p) per share	–	1,520
– final proposed 1.414p (2001: fourth quarterly 1.414p) per share	4,997	4,298
	18,821	17,710
Overprovision in respect of prior years	(30)	–
Overprovision in respect of prior year due to buy back of Ordinary Shares (see below)	–	(44)
	18,791	17,666

Between 12 October 2000 and 21 November 2000, 3,046,212 Ordinary Shares were bought back for cancellation by the Company. As these dates were prior to the ex-dividend date for the final dividend in respect of the year ended 30 September 2000, there was no dividend on these shares.

Notes to the Accounts

Continued

9. Returns per share

	2002 Revenue	2002 Capital	2002 Total	2001 Revenue	2001 Capital	2001 Total
Ordinary (Basic)	4.04p	(43.47)p	(39.43)p	7.12p	(40.16)p	(33.04)p
Ordinary (Diluted – FRS 14)	4.04p	(43.47)p	(39.43)p	7.08p	(39.93)p	(32.85)p

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

	2002 Revenue £'000	2002 Capital £'000	2001 Revenue £'000	2001 Capital £'000
Ordinary (Basic; Diluted – FRS 14)	14,277	(153,595)	21,660	(141,678)

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

	2002	2001
Basic calculation:		
Weighted average number of shares in issue during the year		
Revenue return (Ordinary)	353,362,282	304,083,555
Capital return (Ordinary) (2001: Ordinary and Growth)	353,362,282	352,777,202

	2002 Revenue	2002 Capital	2001 Revenue	2001 Capital
Diluted calculation:				
(in terms of Financial Reporting Standard 14)				
Weighted average number of Warrants in issue during the year	–	–	6,203,445	6,203,445
Less number of shares that would have been issued at fair value during the year	–	–	(4,196,805)	(4,196,805)
Notional shares that would have been issued for no consideration	–	–	2,006,640	2,006,640
Add weighted number of shares in issue during the year	353,362,282	353,362,282	304,083,555	352,777,202
Number of shares used to determine diluted return per share	353,362,282	353,362,282	306,090,195	354,783,842

10. Investments

	2002 £'000		2001 £'000
Investments listed on a recognised investment exchange	457,471		572,445
Unlisted investments	–		–
	457,471		572,445

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	382,214	199,843	1,757	583,814
Opening unrealised appreciation/(depreciation)	22,940	(32,552)	(1,757)	(11,369)
Opening valuation	405,154	167,291	–	572,445
Movements in the year:				
Purchases at cost	67,952	148,300	–	216,252
Sales – proceeds	(48,780)	(134,537)	(581)	(183,898)
– realised losses on sales	(2,126)	(28,374)	(550)	(31,050)
(Increase)/decrease in unrealised depreciation	(99,593)	(17,816)	1,131	(116,278)
Closing valuation	322,607	134,864	–	457,471
Closing book cost	399,260	185,232	626	585,118
Closing unrealised depreciation	(76,653)	(50,368)	(626)	(127,647)
Closing valuation	322,607	134,864	–	457,471

	2002 £'000	2001 £'000
Equity shares	419,174	567,781
Fixed income securities	34,826	–
Convertible securities	3,471	4,664
	457,471	572,445

	2002 £'000	2001 £'000
Realised (losses)/gains on sales	(31,050)	154,339
Increase in unrealised depreciation	(116,278)	(296,746)
Losses on investments	(147,328)	(142,407)

Notes to the Accounts

Continued

11. Debtors

	2002 £'000	2001 £'000
Amounts due from brokers	1,834	1,626
Taxation recoverable	106	120
Prepayments and accrued income	3,925	3,269
Called-up share capital not paid	–	2,650
	5,865	7,665

12. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due to brokers	357	199
Third quarterly interim dividend	4,608	3,964
Special dividend	–	1,520
Fourth quarterly interim dividend	–	4,298
Final dividend	4,997	–
Interest on 6.625 per cent Bonds 2008	–	1,988
Interest on 6.25 per cent Bonds 2031	208	208
Fees due to the Managers	–	432
Yen loan 2003	22,199	–
Other creditors	1,101	752
	33,470	13,361

The Yen loan is secured by a floating charge over all the assets of the Company.

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

	2002 £'000	2001 £'000
6.625 per cent Bonds 2008	59,653	59,590
6.25 per cent Bonds 2031	59,237	59,232
Yen loan 2003	–	24,274
	118,890	143,096

The Company has in issue £60 million nominal 6.625 per cent Bonds 2008 issued at 99.391 per cent and £60 million nominal 6.25 per cent Bonds 2031 issued at 99.343 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 floating charges over all the assets of the Company.

14. Share capital

	2002 Shares	2001 Shares	2002 £'000	2001 £'000
Authorised at 30 September				
Ordinary Shares of 25p each	460,800,000	460,800,000	115,200	115,200
			115,200	115,200
Allotted, called-up and fully paid at 30 September				
Ordinary Shares of 25p each	353,362,282	353,362,282	88,341	88,341
			88,341	88,341

15. Reserves

	Share premium account £'000	Capital reserve— realised £'000	Capital reserve— unrealised £'000	Capital redemption reserve £'000	Revenue reserve £'000
Opening balance	6,188	378,085	(11,742)	8,501	23,045
Exchange differences	—	246	1,579	—	—
Net loss on realisation of investments	—	(31,050)	—	—	—
Increase in unrealised depreciation on investments	—	—	(116,278)	—	—
Investment management fee charged to capital	—	(2,456)	—	—	—
Finance costs charged to capital	—	(6,077)	—	—	—
Taxation credited to capital	—	441	—	—	—
Retained net revenue for the year	—	—	—	—	(4,514)
Closing balance	6,188	339,189	(126,441)	8,501	18,531

16. Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Opening shareholders' funds	492,418	642,232
Total recognised losses before dividends	(139,318)	(120,018)
Dividends in respect of equity shares	(18,791)	(17,666)
Ordinary Shares bought back for cancellation	—	(5,868)
Growth Shares bought back for cancellation	—	(9,662)
Warrants exercised	—	3,400
Closing shareholders' funds	334,309	492,418

Notes to the Accounts

Continued

17. Net asset value per share

The net asset value per share and the net asset value attributable to the Ordinary 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	
	2002 pence	2001 pence	2002 £'000	2001 £'000
Ordinary Shares	94.6	139.4	334,309	492,418

Net asset value per Ordinary Share is calculated on equity shareholders' funds of £334,309,000 (2001: £492,418,000) divided by the number of Ordinary Shares in issue of 353,362,282 (2001: same) to give 94.6p (2001: 139.4p).

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

	2002 £'000	2001 £'000
Net revenue before finance costs and taxation	17,013	24,826
Increase in accrued income	(693)	(1,115)
(Decrease)/increase in other creditors	(151)	464
Investment management fee charged to capital	(2,888)	(2,587)
Tax on investment income	(327)	(335)
Net cash inflow from operating activities	12,954	21,253

19. Analysis of changes in net debt

	At 1 October 2001 £'000	Cash flow £'000	Other movements £'000	Currency movements £'000	At 30 September 2002 £'000
Cash at bank and in hand	68,765	(45,678)	—	246	23,333
6.625 per cent Bonds 2008	(59,590)	—	(63)	—	(59,653)
6.25 per cent Bonds 2031	(59,232)	21	(26)	—	(59,237)
Yen loan	(24,274)	—	—	2,075	(22,199)
	(74,331)	(45,657)	(89)	2,321	(117,756)

20. Financial instruments

The Company's financial instruments comprise equity and fixed interest investments, cash balances and borrowings. As an investment trust 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 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 is disclosed in note 22. 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.

21. 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. Investment and portfolio performance are discussed in more detail in the Manager's Review. 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 the year end the Company had no exposure to derivatives and did not have any exposure during the course of the year.

22. 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.

Fixed rate

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

At 30 September 2002:

	2002 £'000	2002 Average interest rate	2002 Average period until maturity	2001 £'000	2001 Average interest rate	2001 Average period until maturity
Fixed interest investments:						
Fixed interest portfolio	38,297	8.15%	5.4 years	4,664	7.50%	10.66 years
Fixed interest liabilities:						
Yen loan 1.26 per cent	22,199	1.26%	0.41 years	24,274	1.26%	1.41 years
6.625 per cent Bonds 2008	59,653	6.625%	5.50 years	59,590	6.625%	6.50 years
6.25 per cent Bonds 2031	59,237	6.25%	28.95 years	59,232	6.25%	29.95 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 value of fixed interest investments held.

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

The fair value of the Bonds at 30 September 2002 was £125.2 million (2001: £121.2 million).

Notes to the Accounts

Continued

23. Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. In the year to 30 September 2002, the Company entered into US Dollar, Euro and Yen foreign currency contracts with a view to hedging these currency risks.

Foreign currency exposure at 30 September 2002:

	2002 Investments £'000	2002 Cash £'000	2001 Investments £'000	2001 Cash £'000
US Dollar	73,578	1,199	112,222	587
Euro	22,878	95	31,972	—
Swiss Franc	5,203	—	4,797	—
Yen	10,894	30	12,428	23
Australian Dollar	873	9	—	—
Hong Kong Dollar	3,012	12	2,856	2
South Korean Won	2,778	—	1,896	—
Singapore Dollar	908	—	670	—
Malaysian Dollar	1,141	—	395	—
Thailand Bhat	—	—	55	—
Indonesian Rupiah	360	—	—	—
Total	121,625	1,345	167,291	612

The Company also has an exposure to Japan by means of a Fixed Rate Yen loan as detailed in note 22. As at 30 September 2002 the value of the loan was £22,199,000 (2001: £24,274,000).

As noted above the Company hedged currency exposure in US Dollars, Euros and Yen by way of foreign exchange currency contracts. As at 30 September 2002 the foreign exchange currency contracts not yet realised were as follows:

	2002 Hedged amount £'000	2002 Unrealised gain/(loss) £'000	2001 Hedged amount £'000	2001 Unrealised gain/(loss) £'000
US Dollar for Sterling	4,037	19	—	—
Euro for Sterling	4,299	28	—	—
Yen for Sterling	8,000	(543)	—	—
	16,336	(496)	—	—

Total realised gains in the year from foreign exchange currency contracts were £726,000 (2001: £Nil).

Directors' Responsibility Statement and Independent Auditors' Report

British Assets Trust plc

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 at the end of the financial period and of the revenue 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.

Independent Auditors' Report to the Members of British Assets Trust plc

We have audited the Company's accounts for the year ended 30 September 2002 which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement, and related notes 1 to 23. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Directors' Responsibility Statement. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 1985. We also report to you, if, in our opinion, the Report of the Directors is not consistent with the accounts, if the Company has not kept proper records, if we have not received all the information and explanations we require for our audit, or if 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 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 the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Company Summary, Financial Highlights, Performance Summary, Chairman's Statement, Manager's Review, Investment Portfolio, Classification of Investments, Capital Structure, Board of Directors, Report of the Directors, Shareholder Information, Investment Services for Shareholders, Notice of Annual General Meeting and Corporate Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

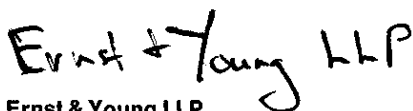
Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 2002 and of its net revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Edinburgh
15 November 2002

Shareholder Information

Annual General Meeting

The Annual General Meeting of British Assets Trust plc will be held at One Charlotte Square, Edinburgh on Thursday 19 December 2002 at 12.30 pm.

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, PO Box 28448, Finance House, Orchard Brae, 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.

Dividend Reinvestment Plan (DRIP)

Shareholders who wish to use their dividends to purchase further shares in the Company by participating in the Dividend Reinvestment Plan can complete a mandate form which may be obtained from Lloyds TSB Registrars Scotland, PO Box 28448, Finance House, Orchard Brae, Edinburgh on request.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Trusts'. Prices are given daily in the *Financial Times*, *The Scotsman*, *The Herald*, *The Daily Telegraph* 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 ISIS Asset Management Investment Services on 0845 600 6166.

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 in December 1994:

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

Financial Calendar 2002/03

19 December 2002	Annual General Meeting
10 January 2003	Final dividend paid
April 2003	First interim dividend paid
May 2003	Announcement of Interim Results Posting of Interim Report
July 2003	Second interim dividend paid
October 2003	Third interim dividend paid
November 2003	Announcement of Annual Results Posting of Annual Report

Investment Services for Shareholders

ISIS Asset Management has a range of products available for investors who wish to invest in British Assets Trust, with or without financial advice.

Plans Suitable for Direct Investment

ISIS offers a number of cost-effective plans suitable for direct investment including:

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

The minimum investment amounts are £1,500 for a lump sum, or £50 a month by Direct Debit.

For more information on any of these plans, please call our Investment Services team on 0845 600 6166 or visit www.itszerocharge.co.uk

Plans Available Through Advisers

ISIS also has a range of 'Select Service' products available through advisers, which offer a *free lifetime guarantee* on the investor's death.

These plans include:

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

You can also invest in the 'Managed Portfolio Service' which offers two portfolios of trusts selected from across the industry, one for growth, one for income. Investment Plan, Isa and Pep Transfer options are available.

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

The above has been approved by ISIS Asset Management plc which is regulated by the Financial Services Authority. Past performance is not necessarily a guide to future performance. Stockmarkets and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount they originally invested. Where investments are made in emerging markets, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and the income from, the investment.

Notice of Annual General Meeting

British Assets Trust plc

Notice is hereby given that the One Hundred and Fifth Annual General Meeting of British Assets Trust Public Limited Company will be held at One Charlotte Square, Edinburgh on Thursday 19 December 2002 at 12.30 pm for the following purposes:

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

1. That the Report and Accounts for the year ended 30 September 2002 be received.
2. That a final dividend of 1.414 pence per Ordinary Share be approved.
3. That Mr J G West, who retires by rotation, be re-elected as a Director.
4. That Mr J S MacLeod, who retires by rotation, be re-elected as a Director.
5. That Ernst & Young LLP be re-appointed as Auditors and the Directors be authorised to determine their remuneration.
6. 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 £8,834,057 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:

7. 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 6 proposed at the Annual General Meeting of the Company convened for 19 December 2002, 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 £4,417,028 (5 per cent of the equity share capital in issue on 15 November 2002);

Notice of Annual General Meeting

Continued

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.

8. That the Company be authorised, in accordance with Section 166 of the Companies Act 1985 (the 'Act'), to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 25p each ('Ordinary Shares'), provided that:
 - (a) 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 this resolution is passed;
 - (b) the minimum price which may be paid for an Ordinary Share shall be 25p;
 - (c) 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
 - (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on 31 December 2003 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2003, 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.
9. That the whole amount standing to the credit of the Share Premium Account and the Capital Redemption Reserve of the Company on the date on which this resolution is passed be cancelled.

By Order of the Board

G J Humphries
Secretary



One Charlotte Square
Edinburgh EH2 4DZ
15 November 2002

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy is enclosed for use at the above meeting. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. To be effective, the form of proxy, duly executed, must be lodged at the address shown on the form of proxy not later than 48 hours before the time of the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those holders of Ordinary Shares entered on the Register of Members of the Company as at 6.00 pm on 17 December 2002 or, in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to the entries on the Register of Members after 6.00 pm on 17 December 2002 or, in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.
4. The existing Articles of Association will be available for inspection at the Annual General Meeting.
5. 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 on 19 December 2002 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	For	Against
1. To receive the Report and Accounts for the year ended 30 September 2002.		
2. To approve a final dividend of 1.414 pence per Ordinary Share.		
3. To re-elect Mr J G West as a Director.		
4. To re-elect Mr J S MacLeod as a Director.		
5. To re-appoint Ernst & Young LLP as Auditors and to authorise the Directors to determine their remuneration.		
6. To authorise the Directors to allot relevant securities.		
7. To empower the Directors to allot equity securities without regard to pre-emptive rights.		
8. To renew the Directors' authority to make market purchases of Ordinary Shares.		
9. To cancel the Share Premium Account and the Capital Redemption Reserve of the Company.		

Signature _____

Dated _____ Day of _____ 2002

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, The Causeway, Worthing BN99 6ZR 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 the Annual General Meeting.

RESPONSE LICENCE No.
SEA 10850

SECOND FOLD

2



Lloyds TSB Registrars
The Causeway
Worthing
BN99 6ZR

FIRST FOLD

THIRD FOLD AND TUCK IN

Corporate Information

British Assets Trust plc

Directors

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

Company Secretary

Gordon J Humphries, CA

Assistant Company Secretary

Gordon R Hay Smith, CA

Registered Office

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

Investment Managers

ISIS Asset Management plc
One Charlotte Square
Edinburgh EH2 4DZ

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

Brokers

UBS Warburg
One Finsbury Avenue
London EC2M 2PP

Solicitors

Dickson Minto WS
11 Walker Street
Edinburgh EH3 7NE

Bankers

JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Registrars and Transfer Office

Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WG

Registrar's Shareholder Helpline

Tel No. 0870 601 5366

Registrar's Broker Helpline

Tel No. 0870 600 0158

For further information contact ISIS Asset Management
Investment Services on 0845 600 6166