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COMPANIES HOUSE

British Assets Trust plc
Annual Report and Accounts
2011

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COMPANIES HOUSE

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Company Summary

The Company

The Company is an investment trust. Its shares are listed on the Official List and traded on the main market of the London Stock Exchange. The Company is a member of The Association of Investment Companies ('AIC') and is a constituent of the AIC Global Growth & Income sector.

Total assets less current liabilities at 30 September 2011 were £402.8 million.

Objective

Throughout the year, the investment objective of the Company was 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 principally in a diversified 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.

With effect from 1 October 2011, the Company's benchmark index changed from the composite index as stated above, to a composite index weighted as to 80 per cent FTSE All-Share Index and 20 per cent FTSE World (ex UK) Index.

Investment Policy

The Company's investment policy is contained within the Report of the Directors on pages 20 and 21.

Management

The Board has appointed F&C Investment Business Limited, a wholly owned subsidiary of F&G Asset Management plc, as investment managers. Details of the management contract are provided in note 3 to the Accounts.

Capital Structure

The Company's capital structure consists solely of Ordinary Shares. Details are provided on page 18 and in note 13 to the Accounts.

How to Invest

The investment managers operate a number of investment plans which facilitate investment in the shares of the Company. Details are contained on page 53.

You may also invest through your stockbroker.

Website

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

Highlights for the Year

- Net asset value total return of -5.1 per cent compared with a total return of -4.3 per cent from the benchmark index
- Maintained dividend of 6.112p per share, producing a dividend yield of 5.4 per cent at the year end
- Change in benchmark index with effect from 1 October 2011 and re-alignment of portfolio with the aim of generating a higher level of investment income
- Appointment of Phil Doel as lead fund manager with effect from 1 October 2011

Performance Summary

	30 September 2011	30 September 2010	% change
Total Return (note 1)			
Net asset value (note 2)	-5.1%	12.2%	
Ordinary Share price	-4.8%	21.2%	
Composite index (note 3)	-4.3%	11.7%	
FTSE All-Share Index	-4.4%	12.5%	
FTSE World (ex UK) Index	-4.0%	9.5%	
Capital Values			
Net asset value per Ordinary Share	117.9p	129.8p	-9.2%
Ordinary Share price	114.0p	125.5p	-9.2%
Revenue and Dividends			
Revenue per Ordinary Share	5.7p	5.0p	12.0%
Dividends per Ordinary Share	6.112p	6.112p	-
Dividend Yield	5.4%	4.9%	
Premium/(discount) – Basic	(3.3)%	(3.3)%	
– Debt adjusted (note 4)	2.2%	(1.1)%	
Gearing – Net of cash (note 5)	20.5%	21.0%	
– Equity gearing (note 6)	4.9%	6.2%	
Total Expense Ratio (as percentage of shareholders' funds)			
Management and other expenses	0.59%	0.72%	
Management (excluding performance fee for 2010) and other expenses	0.59%	0.60%	
Year's Highs/Lows	2011 High	2011 Low	
Net asset value	140.5p	114.2p	
Ordinary Share price	140.5p	112.4p	
Premium/(discount) (basic)	2.6%	(4.9)%	

Notes

- 1 All total return calculations are based on dividends reinvested.
- 2 Net asset value total return is calculated as the total return attributable to an Ordinary Share.
- 3 Composite index of 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index.
- 4 Net asset value adjusted to reflect market value of debt.
- 5 Gearing net of cash: (Investments – Shareholders' Funds) ÷ Shareholders' Funds.
- 6 Equity gearing: (Equity Investments – Shareholders' Funds) ÷ Shareholders' Funds.

Sources: F&C Investment Business, AIC, Datastream, and Fundamental Data.

Chairman's Statement

Lynn Ruddick Chairman

This has been another challenging year for economies and markets. The Company's net asset value total return for the year ended 30 September 2011 was -5.1 per cent. This compares with a total return of -4.3 per cent from the composite index of 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index, which was the Company's benchmark during the year. The share price total return for the year was -4.8 per cent and the debt-adjusted premium of share price to net asset value per share at the end of the year was 2.2 per cent.

For most of the year stock markets made reasonable progress, with generally positive economic indicators and encouraging corporate newsflow. However, markets fell sharply in the final months of the financial year as investors became increasingly concerned about the sovereign debt crisis in Europe and the outlook for global economic growth. During the last quarter of the year, the FTSE All-Share Index fell by 14.3 per cent, its largest quarterly fall since the third quarter of 2002.

In the UK, the government remains committed to reducing debt levels but economic growth has

been sluggish at best. However, company balance sheets are generally in good condition and earnings growth during the year was solid. There has also been a good level of dividend growth from UK companies and this was of benefit to the Company during the year.

The table below provides a breakdown of the estimated contributions to the net asset value total return for the year. The relative contribution from UK and overseas stock selection was positive. However, with a fall in total assets there was a negative contribution from gearing. The contribution from asset allocation was also negative as the Company was adversely affected by its overweight exposure to emerging markets which underperformed developed markets as the fears concerning reduced global growth increased. However, we remain confident that this allocation, which has contributed positively to performance over the past three years, will continue to do well over the longer term.

Attribution of Return

Market/benchmark return	-4.3%
Stock selection	
UK equities	1.5
Overseas equities	0.3
Asset allocation	-0.9
Corporate bonds	0.3
Gearing	-1.3
Expenses	-0.7
British Assets Trust net asset value total return	-5.1%

The end of the financial year also marked the end of the three year period since the Company's overseas portfolios were consolidated into two portfolios: a Global Developed (ex UK) portfolio and an Emerging Markets portfolio. Shareholders may recall that this change was designed to

Chairman's Statement (continued)

provide greater focus on the best individual investment opportunities overseas. The Company's net asset value total return for the three years ended 30 September 2011 was 21.4 per cent and this was ahead of the total return from the benchmark of 18.9 per cent. The share price total return over the three year period was 33.5 per cent.

Benchmark Index and Portfolio Re-Alignment

At the end of the year, the Board announced that, with effect from 1 October 2011, the Company's benchmark index would change from a composite of 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index, to 80 per cent FTSE All-Share Index and 20 per cent FTSE World (ex UK) Index. Since the year end the Company has therefore modestly increased its exposure to UK equities and corporate bonds to around 80 per cent of total assets and reduced its exposure to overseas equities accordingly. The Company has also realigned the Global (ex UK) sub-portfolio to generate a higher level of investment income. The Board expects these changes to be beneficial to the level of dividend cover, whilst maintaining a significant international equity exposure.

Earnings and Dividends

The Company's revenue earnings per share for the year were 5.7p (2010: 5.0p). Three interim dividends of 1.442p per share were paid during the year and the Board recommends payment of a final dividend of 1.786p per share, payable on 6 January 2012 to shareholders on the register on 9 December 2011. This brings the total dividend for the year to 6.112p per share, unchanged from the previous year and in accordance with the Board's previously stated expectations.

During the year, BP returned to paying dividends, albeit at only half the level paid prior to the dividend suspension in 2010. This, combined with a continuing trend of increasing dividends in the UK, where the Company earns most of its

income, has been beneficial to the revenue account.

The Board pays particular attention to the level of dividend which we consider to be one of the Company's key attractions. As explained above, we expect the changes to the portfolio since the end of the year to be beneficial to the level of dividend cover.

Gearing

As at 30 September 2011, the Company's level of gearing, net of cash, was 20.5 per cent. This was represented by 4.9 per cent of equity gearing and 15.6 per cent in corporate bonds.

The Company's borrowings comprise £60 million 6.25 per cent Bonds which are due for redemption in 2031, and a £60 million bank facility which matures in March 2013. £23.2 million of the bank facility was drawn down at the year end.

Management Arrangements

During the year, Julie Dent, who had been the Company's lead fund manager since 2001, decided to retire. It was announced that, with the Board's full support, she would be succeeded by Phil Doel who, with effect from 1 October 2011, has been fully responsible and accountable to the Board for all investment matters.

Unrelated to this change, at the end of the year the Board also announced that it had agreed changes to the management fee arrangements with F&C. F&C was previously entitled to a basic management fee equal to 0.3 per cent per annum of the value of the Company's total assets less current liabilities. F&C was also entitled to a performance-related fee calculated on an annual basis by reference to the performance of the Company against the benchmark index over each 12 month period to 30 September. The maximum performance-related fee which could have been earned by F&C in respect of any annual performance period was 0.3 per cent per annum of the value of equity shareholders' funds at the

end of the period, depending on the level of outperformance.

With effect from 1 October 2011, F&C is no longer entitled to a performance-related fee but the basic management fee has been increased to 0.4 per cent per annum of the value of the Company's total assets less current liabilities.

A summary of the terms of the F&C's appointment is provided in note 3 to the accounts.

Boardroom Diversity

The Board notes the recent review, by Lord Davies of Abersoch, of gender diversity of the boards of UK-listed companies and the proposed changes to The UK Corporate Governance Code resulting from this review.

Any appointments to the Board are based on merit, but we also take into account the need to have a balance of, amongst other things, skills, experience, independence and gender within the Board. This will continue to be our policy.

Annual General Meeting

The Company's Annual General Meeting will be held at 12 noon on Wednesday 14 December 2011 at the offices of F&C Asset Management plc, 80 George Street, Edinburgh. It will be followed by a presentation from Phil Doel. This is a good opportunity for shareholders to meet, and ask questions of, the Board and Managers and I would encourage you to attend.

The notice of Meeting is contained on pages 54 to 56 and a Form of Proxy is enclosed separately with the Annual Report. Shareholders who are unable to attend the Meeting are encouraged to complete and return their forms so as to ensure that their votes are represented at the Meeting.

Outlook

The near term outlook for equity markets will be heavily influenced by confidence in the enactment and efficacy of the evolving policies to deal with the sovereign debt and banking crisis in the Eurozone. Internationally, the outlook is less negative with the US economy exhibiting moderate growth and emerging markets also making progress, albeit at a more moderate rate than in the recent past.

Encouragingly, company balance sheets are generally in good shape, with low levels of debt, but earnings are likely to come under pressure if the economic position deteriorates further. The Managers' expectation, however, is for continued growth in dividend payments by companies. This, combined with the changes made to the portfolio since the end of the year, as detailed above, should be of benefit to the Company.

Lynn Ruddick

Chairman
14 November 2011

Investment Managers and Investment Process

Phil Doel
Investment Manager

Phil Doel Investment Manager joined F&C Asset Management plc ('F&C') in 2005 and was appointed Investment Manager of British Assets Trust plc on 1 October 2011. He is a Director, UK Equities of F&C and has over 15 years of fund management experience.

Gordon Hay Smith
Company Secretary

Gordon Hay Smith Company Secretary joined F&C in 2001 and was appointed Company Secretary of British Assets Trust in 2003. He is a chartered accountant.

Investment Managers

British Assets Trust plc is managed by F&C Investment Business Limited, a wholly owned subsidiary of F&C. F&C is a leading asset manager in both the UK and Europe with £103 billion under management on 30 September 2011. The shares of F&C are traded on the London Stock Exchange.

F&C provides investment management and other services to a range of investment trust clients.

Investment Process

British Assets Trust plc invests principally in a diversified international portfolio of equities and equity-related securities.

In managing the portfolio the Managers are cognisant of the Company's requirement for an above average level of investment income. Emphasis is also placed on asset allocation, in particular between UK and overseas equities and corporate bonds, coupled with active stock selection.

Managers' Review

Introduction

With effect from 1 October 2011, I took over as the Company's lead fund manager on Julie Dent's retirement from F&C. In that role I manage the core UK equity portfolio, allocate assets to the other sub-portfolios and manage gearing within guidelines set by the Board. I will continue the focus on achieving a total return in excess of the benchmark index whilst managing the revenue account to enable an above average level of dividend to be maintained.

Performance for the year

In the year to 30 September 2011, the Company's net asset value total return was -5.1 per cent, which compares to a return of -4.3 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 -4.8 per cent.

For the three years to 30 September 2011 the Company's net asset value total return was 21.4 per cent, which compares to a return of 18.9 per cent for its composite benchmark index. The share price total return over this period was 33.5 per cent. This period is significant because it represents the period at the beginning of which the Company's overseas portfolios were consolidated into two portfolios: a Global Developed (ex UK) portfolio and an Emerging Markets portfolio. This change was designed to provide greater focus on the best individual investment opportunities overseas.

At 30 September 2011 the Company had gearing, net of cash, of 20.5 per cent including 15.6 per cent invested in corporate bonds.

Markets overall delivered positive returns during the first ten months of the year, buoyed by improving economic news and positive corporate profit statements. However, in late July an escalation in the sovereign debt crisis in Europe, coupled with renewed fears over the outlook for global economic

growth, reversed the prevailing sentiment and stock markets fell sharply, ending down for the year as a whole. The recent sell off in equities more generally reflects both a fear of a double dip recession and the possible onset of a banking crisis, largely, but not exclusively, within the Eurozone.

There is a perception that banks have been chastened by the 2008 credit crisis and the excessive leverage and risk taking of the preceding years is a thing of the past. It is true that banks are better capitalised than a few years ago and new regulations have been passed that should ensure that the excesses of the risky lending of those years are never repeated. However, despite the capital raising exercises in the intervening years, markets have remained concerned about the financial strength of the banking sector. Stress tests carried out by the European banking authorities did little to reassure the markets, as they did not consider the possibility of sovereign debt defaults. The subsequent failure of Dexia, the first major casualty of this most recent period of stress, which had very comfortably passed the "stress test" only a few months before, provided strong evidence that the market was correct in this view.

Markets sensed that the authorities had lost control, with possible dire consequences for the banking sector if defaults followed because of the substantial holdings of peripheral sovereign debt on their balance sheets. The capacity of the European Financial Stability Fund remains under scrutiny with particular regards to its ability to support Italy and Spain.

The weakness of the emerging markets so far this year reflects a combination of the continuing geopolitical risks, high inflation and somewhat less positive economic growth expectations. These markets tend to be highly sensitive to the prevailing economic sentiment.

Stockmarket Total Returns – Year to 30 September 2011	£	Local Currency
FTSE All-Share Index	-4.4%	-4.4%
FTSE World (ex UK) Index	-4.0%	-5.2%
FTSE All-World Developed (ex UK) Index	-3.1%	-5.0%
MSCI Emerging Markets Index	-14.9%	-11.7%

Source: Datastream

Managers' Review (continued)

Fears of a global recession sent commodity prices sharply lower and the dollar strengthened, given its safe haven status. Industrial commodities remain a barometer for growth and will only see a meaningful recovery when confidence returns to financial markets. Precious metals have done well in this environment but the sharp sell off in gold and silver during September illustrates that they are not necessarily the safe haven that many believed.

In the developed markets investors continue to question the sustainability of the global economic recovery. Growth remains sub-trend because of the long lasting effects of the repayment of the debts accumulated in preceding years. However, as the effect of the adverse weather in the early part of the year, the Japanese earthquake and, most significantly, the political unrest in the Middle East and North Africa that led to a sharp spike in the oil price, fade, the economic data should improve somewhat. The longer term commitments made in the US and elsewhere to continue their highly accommodative monetary policies, coupled with

concerted efforts to boost near term liquidity, should also be supportive.

Companies have continued to produce solid earnings growth showing that the quoted corporate sector is managing the current environment well. They are certainly in a better position than in 2007/8 with far lower levels of indebtedness, limited capital spending commitments and managements ready to act decisively and to cut costs again. With disappointingly high levels of unemployment in many western economies there is little upward pressure on wages that would traditionally erode profits at this point in an economic recovery.

With corporates in a far better shape, UK dividend growth is expected to be double digit for 2011 with high single digit growth overseas. As a result we have seen an improvement in the Company's revenue position from last year. The revenue account was also boosted by selective option writing when the opportunity arose. The Company's dividend remains uncovered by current year net income however – a matter to which I will return.

Asset Allocation

Asset Allocation

The asset allocation of the Company is shown in the table below:

Asset Class	Benchmark 30.09.11 %	30 September 2011		30 September 2010	
		Share- holders' Funds %	Total Assets %	Share- holders' Funds %	Total Assets %
UK Equities	75.0	79.3	63.9	76.2	62.0
Overseas Equities					
– Global Developed (ex UK)	22.5	17.8	14.4	17.3	14.0
– Emerging Markets	2.5	7.8	6.3	12.7	10.3
Total Overseas Equities	25.0	25.6	20.7	30.0	24.3
Total Equities	100.0	104.9	84.6	106.2	86.3
Corporate Bonds	–	15.6	12.6	14.8	12.1
Net Current Assets	–	–	2.8	–	1.6
Actual Gearing*	–	(20.5)	–	(21.0)	–
Total	–	100.0	100.0	100.0	100.0
Potential Gearing	–	(24.1)	–	(23.0)	–

*comprising equity gearing of 4.9 per cent (2010: 6.2 per cent) and 15.6 per cent in corporate bonds (2010: 14.8 per cent)

During the financial year we reduced the exposure to emerging markets in favour of UK income stocks and reduced the Company's gearing to equities given the uncertain economic backdrop

and the failure to address the escalating debt crisis in Europe. As a result the equity gearing remains at a level somewhat below that in recent years.

Sub-Portfolio Reports

UK – Major Holdings

Company	Sector	Market Value £m	% Total Investments
Vodafone	Telecommunications	21.3	5.2
GlaxoSmithKline	Pharmaceuticals & Biotech	19.7	4.7
BP	Oil & Gas	14.8	3.6
Royal Dutch Shell	Oil & Gas	12.3	3.0
Rio Tinto	Mining	11.4	2.8
British American Tobacco	Tobacco	11.4	2.7
HSBC	Banking	10.5	2.5
Tesco	Retailing	10.3	2.5
Scottish & Southern Energy	Electricity	9.0	2.2
Standard Chartered	Banking	7.5	1.8

The UK portfolio returned –1.8 per cent compared with a total return of –4.4 per cent for the FTSE All-Share Index.

The UK market's decline in total return terms over the period was in line with other major developed markets outside the Eurozone. The combined impacts of the Independent Commission on Banking review, global regulatory pressures, low interest spreads, subdued lending (as banks de-lever their balance sheets) and provisioning for, amongst other areas, payment protection insurance and the mark-to-market re-pricing of Eurozone government bonds, all contributed to make the banking sector, once again, the worst performing major sector in the FTSE All-Share Index. After several years of strong performance mining stocks delivered poor returns, as profit taking early in 2011 was exacerbated by fears of a Chinese economic slowdown. Traditional defensive sectors such as tobacco, utilities, mobile telecommunications and pharmaceuticals were strong and all delivered positive returns.

At the stock level the Company's defensive positions in Scottish & Southern Energy, British American Tobacco, Vodafone, Shire and GlaxoSmithKline all performed well. The Company also benefitted from bids by Cheung Kong for Northumbrian Water Group and Hewlett Packard's acquisition of Autonomy. In the wake of the Japanese tsunami and the devastating earthquake in New Zealand,

insurance rates are likely to harden. Lancashire Holdings was a prime beneficiary of this expectation and was an excellent performer for the portfolio. Holdings in the oil sector had mixed fortunes – whilst one of the smaller holdings, Bowleven, had spectacular success in late 2010, the benefits were somewhat eroded later in the period by concerns over its future financing. Cairn Energy was also a poor performer with disappointing drilling results in Greenland.

At the corporate level, businesses have generally reported earnings growth and a solid recovery in dividend payments. Dividend growth in the calendar year 2011 is now forecast by many to be above 10 per cent. That said, the market remains cautious about the sustainability of earnings for next year. According to Citigroup, the expectations in the UK are for mid to high single digit earnings growth in 2012. However from a macro-economic perspective Citigroup expects earnings to fall by around 10 per cent. We do not believe this less optimistic view would necessarily detrimentally impact the dividend prospects for 2012 however, as explained in the outlook section on page 14.

The UK economy continues to experience low growth. Inflationary expectations have fallen with the Bank of England keeping interest rates at just 0.5 per cent throughout the year. The events in the Eurozone are, as the Prime Minister recently pointed

Managers' Review (continued)

out, the greatest risk to the UK economy in the short term. The crisis is adversely affecting the banking sector and, in consequence, the European economies which are the UK's main trading partners and, unless resolved, will lead to slow economic growth throughout 2012 and beyond. In the US, "quantitative easing" ('QE') has stabilised the economy but has not generated much economic growth. The impact of the latest round of QE in the UK remains to be seen.

Our preference remains for stocks which are financially robust and where the supply/demand characteristics remain favourable. With only around a third of the earnings of the FTSE All-Share Index being generated in the UK, however, it is important to have a global perspective on the outlook. We remain positive towards companies with emerging markets exposure, although we are being selective, and in developed markets we prefer US derived earnings to those from Europe.

Global Developed (ex UK) – Major Holdings

Company	Country	Sector	Market Value £m	% Total Investments
Exxon Mobil	USA	Oil & Gas	2.3	0.6
Nippon T&T	Japan	Fixed Line Telecommunications	1.8	0.4
Kia Motors	South Korea	Automobiles & Parts	1.8	0.4
Intel	USA	Technology Hardware & Equipment	1.6	0.4
General Electric	USA	General Industrial	1.6	0.4
Walgreen	USA	Food & Drug Retailer	1.5	0.4
Bank of Montreal	Canada	Banking	1.5	0.4
Zurich Financial	Switzerland	Non-Life Insurance	1.5	0.4
Dell	USA	Technology Hardware & Equipment	1.4	0.3
Citigroup	USA	Banking	1.4	0.3

The Global Developed (ex UK) portfolio returned 0.4 per cent compared with a total return of -3.1 per cent for the FTSE All-World Developed (ex UK) Index.

The portfolio once again outperformed the benchmark for the year. This sub-portfolio is managed using our systematic, or quantitative, investment process. This centres on three key variables when looking at the fundamental properties of companies in order to predict future returns: Value, Growth and Quality. The Value component made the largest positive contribution; Growth had a small positive contribution whereas Quality made a small negative contribution.

There was a significant contribution in the past year from stock specific events, offsetting the negative impact in the previous 12 months. The main contributors were overweight positions in Kia Motors, which showed strong performance on the

back of a string of successful new model launches with consequent market share gains, and International Paper, which rallied after taking over competitor Temple-Inland. Although the takeover was done at a hefty 37 per cent premium to its share price, the market viewed the reduction in competition as highly positive for the business prospects of the sector. eBay also delivered strong performance as a "recovery" story as did Dell and Williams Company (a US utility group) which rallied strongly after announcing the spin-off of their pipeline network.

Returns in developed markets collapsed in the last two months of the financial year as the European sovereign debt crisis escalated and the authorities failed to adequately address the problem. With money being transferred to the weaker, insolvent periphery countries from the stronger nations and the recipients expected to implement strict austerity

packages, the political and social unrest has intensified. The ultimate solution may lie in full fiscal and political union within the European Union but markets have concluded that the hurdles to achieve this are significant.

Such discord will make it very difficult to reach an agreement between the governments of the respective members who ultimately remain answerable to their electorates which, in many cases, are strongly opposed to closer fiscal co-operation. The fallout from the debt crisis continued to accelerate during the summer as reflected in the poor performance of all global financial markets. The response to the Greek default is likely to be the defining moment of this crisis and will shape the destiny of economies not only in Europe but beyond.

In the US, signs that the economy was running out of steam, coupled with political wrangling over the raising of the US government debt ceiling, severely damaged political credibility and contributed to

recent market weakness. This culminated in August with the rating agency, S&P downgrading the US credit rating from AAA to AA+ with a negative outlook over fears that the deficit reduction plans passed by Congress were insufficient. Despite the downgrade, the performance of US treasury bonds has been remarkable since, with yields on 10 year bonds dipping below 2 per cent. This reflects the significant flight to safety and from risk assets seen across the globe as global risk aversion has grown.

Japan was severely affected by the earthquake and tsunami in March this year but is now recovering. This recovery means it is one of the few markets in the world with strong earnings prospects which is aiding short term equity market performance. The Yen has also benefitted from its perceived "safe haven" status, despite Japan's high levels of government debt, and it is likely that the government will continue to intervene to devalue the currency as has recently happened to the Swiss Franc.

Managers' Review (continued)

Emerging Markets – Major Holdings

Company	Country	Sector	Market Value £m	% Total Investments
Samsung Electronics	South Korea	Technology Hardware & Equipment	1.1	0.3
Banco Bradesco	Brazil	Banking	1.1	0.3
Taiwan Semiconductor	Taiwan	Technology Hardware & Equipment	1.0	0.2
Petrobras	Brazil	Oil & Gas	1.0	0.2
Vale	Brazil	Mining	0.9	0.2
Industrial & Commercial Bank of China	Hong Kong	Banking	0.7	0.2
Grupo Financiero Banco	Mexico	Banking	0.7	0.2
MTN Group	South Africa	Mobile Telecommunications	0.7	0.2
Anglo American	South Africa	Mining	0.7	0.2
Kasikornbank	Thailand	Banking	0.6	0.2

The Emerging Markets portfolio returned –16.0 per cent compared with a total return of –14.9 per cent for the MSCI Emerging Markets Index.

Emerging markets endured a tough year as investors reduced risk due to concerns about a possible global recession. Generally perceived as being higher risk, they underperformed their developed counterparts, particularly in the turbulent two months at the end of the year. European emerging markets underperformed as the European debt crisis escalated. The smaller markets of the Middle East region also suffered in the middle of the year on the back of the widening unrest in the Arabian peninsula.

Weakness in commodity prices coupled with a reversal of the strength in the Brazilian Real against the US Dollar contributed to sending the Brazilian market sharply lower. Fears about domestic monetary policy, which has been repeatedly tightened through rate rises and increasing reserve requirements in the banking system, coupled with a dip in growth, prompted a sharp sell-off in the Chinese equity market. In India, rising interest rates to combat inflationary pressures also impacted negatively on the market. In the Pacific region equity markets generally outperformed but remain sensitive

to investors' perception of the health of the global economy.

If the US lapsed into a significant recession (which is not our current view) the impact on emerging markets would probably be a "hard landing" in most of the economies. It is not yet true to say that emerging markets have totally decoupled from developed markets, mainly because the growth of these economies remains export dependent, and they would suffer from a fall in demand. With the recent fall in commodity prices and following several months of policy tightening measures in emerging markets, it appears as if inflation is near its peak.

Emerging markets continue to face the challenges of domestic inflation together with stuttering growth in the West and severe stresses in the Eurozone financial system. The situation in Europe remains the key risk, with the timing of any agreed debt restructuring plan unclear. Across the emerging regions, both growth and inflation are moderating. This has led to the first interest rate cuts in Turkey, Brazil and Russia. Our focus is currently on the so-called BRIC countries, Brazil, Russia, India and China, where we see an attractive blend of lower inflation, steady growth and cheap valuations.

Corporate Bonds

The corporate bond portfolio returned -0.8 per cent over the year. This compares with a positive total return of 2.1 per cent for investment grade bonds as measured by the Merrill Lynch All Sterling Non-Gilts Index and a negative total return of 7.1 per cent for high yield bonds as measured by the Merrill Lynch European Currency High Yield Index.

The primary objective for the bond portfolio is, however, to supplement the Company's income. This is achieved by investing in a diversified portfolio of bonds drawn from both investment grade and high yield. We aim to deliver a total return over time which is comparable with the return we can expect from equities and above the cost of borrowing.

Corporate bond markets had a difficult year due to the ongoing problems in peripheral Eurozone countries. Indeed, returns may have been much worse were it not for a further fall in the interest rates available on government bonds. The UK Monetary Policy Committee has not moved base rates since March 2009 and, with little prospect of

that changing soon, short term interest rates have remained low. Longer term yields also fell significantly during the year as UK government bonds benefitted from their "safe-haven" status and in anticipation of more quantitative easing to combat moribund economic growth.

The medium term prospect for corporate bonds remains favourable with the yield premium to government bonds attractive. Volatility, though, is likely to persist and returns in the short term are likely to depend on the nature of any solution found for the Eurozone sovereign debt crisis. On a positive note, balance sheets of companies are much better positioned to withstand economic malaise than in 2008/9. Three years on from the collapse of Lehman Brothers, financial companies have made much progress in reshaping their balance sheets but this is overshadowed by the extent of the crisis in peripheral countries. The deleveraging and capital rebuilding is likely to continue for many years as fiscal austerity will hamper growth and prolong the process.

Managers' Review (continued)

Outlook

As will have been gauged from reading the regional reports, the direction of markets globally in the near term will be dictated by how politicians respond to the Eurozone sovereign credit and banking sector issues rather than broader economic newsflow.

Eurozone politicians have outlined a series of measures they intend to undertake, including a recapitalisation of weaker banks, a significant increase in the effective capacity of the European Financial Stability Facility and a proposed voluntary reduction of 50 per cent in the value of Greek bonds. The challenge for them is now to enact all of these measures in a timely and effective fashion. The pressure for this to be achieved will be exerted by both the capital markets and the wider international financial community.

Whatever the outcome of the current debt crisis it would appear inevitable that European (including the UK) economies are destined to experience well below historic trend growth as the process of governmental and personal deleveraging continues. The risks in the UK of a renewed recession have also increased as export growth, particularly to Europe, our key trading partner, has slowed. The US is still growing at a moderate pace, aided by ongoing governmental and monetary policy stimulus – the challenge of reducing federal deficits is still to be really addressed and will likely stay on hold until after the presidential elections in late 2012. Our current view is that the US will avoid recession but will continue to grow at a slow pace with unemployment well above the average. Overall, emerging markets still exhibit better, if more volatile, economic growth prospects in the medium to longer term.

With this backdrop and whilst headline market earnings based valuations look very modest in a historic context, the risk is that these earnings expectations are too optimistic. From our perspective the market is therefore discounting the likelihood of substantial reductions in these estimates of future profitability.

Despite this subdued economic outlook, companies are generally in good health and do have the financial capacity to invest in their businesses.

Margins are as high as they have been in recent times, cashflows are strong, balance sheets robust

and, as a result of the broader slowdown, input costs are subdued. In addition, larger companies are successfully accessing the corporate bond market to refinance at lower costs than banking or equity capital markets are currently charging.

The question is how will companies utilise this position? They could embark on major programmes of capital investment to meet future demand, but this seems unlikely given the muted economic growth outlook described above and typically long-term payback periods. An alternative route to market share growth is through acquisitions and certainly we would expect to see ongoing M&A activity, although this is more likely to be of an incremental nature rather than transformational (or that dreaded word "strategic") nature.

Importantly, we do expect increasing shareholder returns through both buybacks and dividend growth. Dividend cover ratios are generally high and the availability of cash in quality companies makes this an obvious way for shareholders to be rewarded at times of slower top line growth. This is particularly important for our management of the Company.

Since the year end we have made two changes of asset allocation in order to pull forward the date at which the Company should be able to earn more income, whilst maintaining the exposure to the real growth we expect in equity dividends. The primary change has been to move the Global (ex UK) exposure to a higher yielding portfolio. We have also somewhat reduced the direct exposure to emerging markets and increased the allocation to the higher yielding UK market. The international nature of the UK market (with around 70 per cent of revenues generated outside of the UK) enables us to access significant exposure to the somewhat better economic growth prospects of the US and emerging economies to which we refer above. In addition to the impact on the Company's revenue account we believe that, at a time when the near term outlook is somewhat uncertain, this will also enhance near term total shareholder returns.

Phil Doel

Investment Manager

F&C Investment Business Limited

14 November 2011

Classification of Investments

	United Kingdom £'000	Overseas Developed (ex UK) £'000	Emerging Markets £'000	2011 Total £'000
Sector Weighting				
Oil & Gas	38,653	6,528	2,590	47,771
Basic Materials	23,975	3,959	3,289	31,223
Industrials	20,137	6,090	2,628	28,855
Consumer Goods	22,460	5,855	4,141	32,456
Health Care	30,056	6,717	–	36,773
Consumer Services	24,548	7,655	2,465	34,668
Telecommunications	30,052	2,722	1,416	34,190
Utilities	18,968	3,058	–	22,026
Financials	60,444	12,189	6,056	78,689
Technology	2,771	6,389	4,212	13,372
Total	272,064	61,162	26,797	360,023
Corporate Bond Portfolio	43,093	10,447	–	53,540
Total Investments	315,157	71,609	26,797	413,563
% of Total Investments	76.2	17.3	6.5	100.0

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

Investment Portfolio

Company	Valuation £'000	% of Total Invest- ments	% of Portfolio Income	Country of listing	% Change in Dividend 2010-2011*	2010 Valuation £'000
Vodafone The world's largest global provider of mobile telecommunication services.	21,349	5.2	6.3	UK	7.1	17,747
GlaxoSmithKline Involved in the research, manufacture and sale of pharmaceuticals.	19,659	4.7	5.4	UK	6.4	18,138
BP One of the world's largest integrated oil and gas companies.	14,761	3.6	3.3	UK	(40.8)	15,677
Royal Dutch Shell One of the world's largest integrated oil and gas companies.	12,305	3.0	4.5	UK	55.7	17,456
Rio Tinto A globally diversified mining company.	11,430	2.8	1.6	UK	26.7	18,435
British American Tobacco The world's largest international tobacco group.	11,378	2.7	2.7	UK	13.7	12,989
HSBC Provides a comprehensive range of banking and related financial services on a global basis.	10,534	2.5	3.5	UK	11.8	20,125
Tesco An international food retailer.	10,297	2.5	2.2	UK	10.8	10,710
Scottish and Southern Energy One of the largest energy companies in the UK.	8,993	2.2	2.9	UK	7.1	9,279
Standard Chartered Provides personal and corporate banking services on a global basis.	7,498	1.8	1.5	UK	4.8	2,616
Ten largest investments	128,204	31.0	33.9			143,172

* British Assets Trust's financial years to 30 September 2011 and 2010.

Investment Portfolio (continued)

Company	Sector	Valuation £'000	% of Total Investments	% of Portfolio Income	Country of listing
AstraZeneca	Pharmaceutical & Biotech	7,168	1.7	2.4	UK
BG Group	Oil & Gas	5,845	1.4	0.4	UK
BT Group	Fixed Line Telecommunications	4,685	1.1	1.0	UK
Imperial Tobacco Group	Tobacco	4,587	1.1	1.0	UK
BAE Systems	Aerospace & Defence	4,557	1.1	1.4	UK
Prudential	Life Insurance	4,491	1.1	0.8	UK
Man Group	General Financial	4,442	1.1	2.0	UK
Inmarsat	Mobile Telecommunications	4,019	1.0	1.1	UK
Compass Group	Travel & Leisure	3,978	1.0	0.5	UK
Centrica	Gas, Water & Multiutilities	3,684	0.9	0.8	UK
Twenty largest investments		175,660	42.5	45.3	
Barclays	Banking	3,596	0.9	0.7	UK
London & Stamford	Real Estate	3,513	0.8	0.9	UK
Xstrata	Mining	3,313	0.8	0.5	UK
Resolution	Life Insurance	3,153	0.8	1.1	UK
Intermediate Capital	General Financial	3,139	0.8	1.4	UK
Melrose	Industrial Engineering	2,926	0.7	–	UK
National Grid	Electricity	2,871	0.7	0.9	UK
Unilever	Food Producers & Processors	2,726	0.7	0.5	UK
Carnival	Travel & Leisure	2,670	0.6	0.3	UK
Johnson Matthey	Chemicals	2,664	0.6	0.4	UK
Thirty largest investments		206,231	49.9	52.0	
iEnergizer	Support Services	2,611	0.6	–	UK
Talvivaara Mining Conv 5.25% 20/05/13	Mining	2,577	0.6	0.8	UK
CATCo Reinsurance Opportunities Fund	Equity Investment Instruments	2,551	0.6	–	UK
Carador Income Fund	Equity Investment Instruments	2,543	0.6	1.1	UK
Beazley	Non-Life Insurance	2,538	0.6	0.9	UK
United Utilities	Gas, Water & Multiutilities	2,417	0.6	0.6	UK
Shire	Pharmaceutical & Biotech	2,288	0.6	0.1	UK
Exxon Mobil	Oil & Gas	2,285	0.6	0.3	USA
G4S	Support Services	2,235	0.5	0.4	UK
Tulow Oil	Oil & Gas	2,200	0.5	0.1	UK
Forty largest investments		230,476	55.7	56.3	
Raven Russia	Real Estate	2,027	0.5	0.2	UK
Diageo	Beverages	1,970	0.5	0.3	UK
Anglo American	Mining	1,939	0.5	0.3	UK
Doric Nimrod	Equity Investment Instruments	1,887	0.5	–	UK
Tullett Prebon	General Financial	1,876	0.5	0.5	UK
Nippon T&T	Fixed Line Telecommunications	1,830	0.4	0.3	Japan
Kia Motors	Automobiles & Parts	1,817	0.4	0.1	South Korea
Spectris	Electronic & Electrical Equipment	1,816	0.4	0.2	UK
BBA Aviation	Industrial Transport	1,771	0.4	0.5	UK
Firstgroup	Travel & Leisure	1,684	0.4	0.6	UK
Fifty largest investments		249,093	60.2	59.3	
Other equity investments (178)		113,507	27.5	22.8	
Other corporate bonds (283)		50,963	12.3	17.9	
Total investments		413,563	100.0	100.0	

Note: The full portfolio list will be available on the Company's website following publication of the Annual and Interim Reports.

Capital Structure

The Company's capital structure consists solely of Ordinary Shares.

Ordinary Shares

At 30 September 2011 there were 291,112,282 Ordinary Shares of 25p each in issue (2010: 291,112,282 Ordinary Shares).

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

Capital Entitlement

In the event of a winding up, after meeting the liabilities of the Company, the surplus assets would be paid to the holders of Ordinary Shares and distributed among such holders pro-rata.

Voting Entitlement

Each Ordinary Shareholder is entitled to one vote on a show of hands, and on a poll to one vote for every Ordinary Share held.

Unless the Board otherwise decides, no member is entitled in respect of any share held by him to vote (either personally or by proxy or by a corporate representative) at any general meeting of the Company if he is a person with a 0.25 per cent interest (as defined in the Articles of Association) and he has been served with a restriction notice (as defined in the Articles of Association) after failure to

provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Income Entitlement

The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of interim and final dividends to the holders of the Ordinary Shares.

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend can exceed the amount recommended by the Board. Subject to the provisions of the Companies Acts, the Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company. The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25 per cent interest (as defined in the Articles of Association) if such a person has been served with a restriction notice (as defined in the Articles of Association) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Acts.

Ten Year Record

At 30 September	Net Asset Value Total Return	Benchmark Index Total Return	Net Asset Value per Ordinary Share	Ordinary Share Price	Discount (basic)	Revenue per Ordinary Share	Dividends per Ordinary Share	Total Expense Ratio
2001	(18.7)%	(22.7)%	139.4p	118.5p	15.0%	7.1p	5.326p#	0.80%*
2002	(29.3)%	(21.5)%	94.6p	90.3p	4.6%	4.0p	5.326p	0.94%*
2003	17.0%	17.5%	104.9p	98.8p	5.9%	4.1p	5.326p	0.72%
2004	14.2%	13.6%	114.3p	101.0p	11.6%	4.0p	5.326p	0.94%*
2005	27.8%	24.6%	142.5p†	126.5p	11.2%†	4.8p	5.326p	1.05%†*
2006	10.9%	13.2%	152.5p	132.5p	13.1%	6.3p	5.486p	0.62%
2007	9.7%	12.5%	161.4p	140.8p	12.8%	5.7p	5.706p	0.63%
2008	(26.8)%	(20.3)%	114.0p	100.8p	11.6%	6.2p	5.934p	0.61%
2009	13.8%	11.1%	121.9p	109.2p	10.4%	5.8p	6.112p	0.89%*
2010	12.2%	11.7%	129.8p	125.5p	3.3%	5.0p	6.112p	0.72%*
2011	(5.1)%	(4.3)%	117.9p	114.0p	3.3%	5.7p	6.112p	0.59%

*Includes performance fee.

#Excludes special dividend of 0.5p per Ordinary Share.

†Restated for changes in accounting standards.

Board of Directors

Lynn Ruddick ††

Chairman

was appointed as a Director in 2004 and Chairman in December 2009. She is Chairman of Fidelity Special Values plc, a non-executive

Director of Blackrock Frontiers Investment Trust plc and Standard Life UK Smaller Companies Trust plc, a member of the Investment Committees of The Pearson Group Pension Plan and Western Provident Association, Chairman of the WPA Pension Scheme Board and a trustee of the Scottish & Newcastle Pension Scheme. She was previously a Managing Director of Merrill Lynch Investment Managers where she headed the company's investment trust business unit.

James Long *††

was appointed in 2006. He was formerly Director of Risk and Compliance for AstraZeneca Europe, Corporate Finance Director of Inchcape plc and

Managing Director, Asia and Emerging Markets, for the ESAB Group. He is Chairman of JPMorgan Asian Investment Trust plc.

James MacLeod *††

Chairman of the Audit Committee

was appointed in 1998 and was a partner of Ernst & Young (and its predecessor firms) for 25 years until his

retirement in 1998. He is a non-executive director of Scottish Investment Trust plc and is a Chartered Accountant.

Ian Russell *††

was appointed in 2008. He was formerly Chief Executive of Scottish Power plc. He is currently non-executive Chairman of Johnston Press plc, Remploy Ltd, the

Advanced Power AG advisory board, and the University of Edinburgh campaign board, a non-executive director of British Polythene Industries plc, The Mercantile Investment Trust plc, and an adviser to the Clyde Bergemann Power Group.

Jimmy West *††

Senior Independent Director was appointed in 1995 and was formerly a Managing Director of Lazard Brothers and Co Ltd and Chief Executive of Lazard Asset

Management Ltd. He is Chairman of New City High Yield Fund Ltd and Canaccord Genuity Ltd, and a non-executive director of JPMorgan Income & Capital Trust plc, Aberdeen Smaller Companies High Income Trust plc and UK Select Trust plc. He is Chairman of Associated British Foods Pension Fund Ltd.

* Member of the Audit Committee

† Member of the Management Engagement and Remuneration Committee

‡ Member of the Nomination Committee

Report of the Directors

The Directors submit the Annual Report and Accounts of the Company for the year ended 30 September 2011.

Results and Dividends

The results for the year are set out in the attached accounts.

First, second and third interim dividends, each of 1.442p per Ordinary Share, were paid on 8 April, 8 July and 7 October 2011 respectively. The Board recommends a final dividend for the year of 1.786p per Ordinary Share payable on 6 January 2012 to shareholders on the register at close of business on 9 December 2011.

Principal Activity and Status

The Company (company number: SC 3721) is a public limited company and an investment company in terms of the Companies Act 2006. It has been approved by HM Revenue & Customs as a investment trust for tax purposes for previous years up to and including the year ended 30 September 2010. In consequence, the Company is not liable to tax on capital gains. The Directors intend to ensure that the Company continues as an investment trust.

The Company is required to comply with company law, the rules of the UK Listing Authority, UK Financial Reporting Standards, and its Articles of Association.

Capital Structure

The Company's capital structure is set out on page 18.

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance procedures, and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 19. The Company has no executive Directors or employees.

Objective

The Company's investment objective is shown on page 1.

Investment Policy

The Company invests worldwide in companies which F&C Investment Business Limited ('FCIB' or 'the Managers'), believe will generate a combination of long-term growth in capital and income for shareholders.

The Company has not set maximum exposures for any geographical regions or sectors. However, the greater part of the Company's investments will normally be UK equities. The Company also invests in other countries or regions and in a portfolio of corporate bonds. It would normally be expected that most of the Company's investments will be equities and equity-related securities (including corporate bonds). However, the Company is not prohibited from investing in other types of securities. No individual investment in the portfolio may exceed 10 per cent of the Company's total assets. The Company will not normally invest more than one per cent of its total assets in unlisted securities at the time of investment.

No more than 10 per cent of the Company's total assets may be invested in aggregate in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15 per cent of their total assets in other closed-ended investment companies, in which case the limit is 15 per cent.

The Company may use derivatives, principally, but not exclusively, for efficient portfolio management, that is to reduce, transfer or eliminate investment risk in its investments, including protection against currency risks.

The Company uses gearing to enhance income and capital returns over the long term and may borrow in sterling or other currencies. The Company's Articles of Association contain a borrowing limit equal to the

value of its adjusted total of capital and reserves. However, equity gearing (see definition on page 2) would not normally be expected to exceed 20 per cent of shareholders' funds.

Investment of Assets

At each Board meeting, the Board considers compliance with the Company's investment policy and other investment restrictions during the reporting period. An analysis of the portfolio on 30 September 2011 is contained in note 9 to the accounts and in the Managers' Review on pages 7 to 14. The 50 largest investments are shown on pages 15 and 16. The Company's borrowings are described in notes 11 and 12 to the accounts.

Strategy

As part of its strategy, the Board has contractually delegated the management of the investment portfolio, and other services, to the Managers.

The investment strategy employed by the Managers in meeting the investment objective focuses on asset allocation, in particular between UK and overseas equities, corporate bonds, cash and gearing, coupled with active stock selection. The selection of investments is based on analysis of, amongst other things, market positioning and competitive advantage, financial strength and cashflow characteristics. As part of this process the Managers are cognisant of the Company's requirement for an above average level of investment income.

The Company's performance in meeting its objectives is measured against key performance indicators as set out on the following page. Reviews of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year are contained in the Chairman's Statement on pages 3 to 5 and the Managers' Review on pages 7 to 14, both of which form part of this Business Review.

Principal Risks and Risk Management

The Company's assets consist mainly of listed securities and its principal risks are therefore market-related. The Company is also exposed to currency risk in respect of overseas markets in which it invests. More detailed explanations of these risks and the way in which they are managed are contained in note 18 to the accounts.

Other risks faced by the Company include the following:

- External – events such as terrorism, protectionism, inflation or deflation, economic shocks and recessions, regulatory changes and movements in interest rates and exchange rates could affect share prices in particular markets.
- Investment and strategic – incorrect strategy, asset allocation, stock selection and the use of gearing could all lead to poor returns for shareholders.
- Regulatory – breach of regulatory rules could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Loss of investment trust status could lead to the Company being subject to tax on capital gains.
- Operational – failure of the Managers' accounting systems or disruption to the Managers' business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.
- Financial – inadequate controls by the Managers or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. Breaching bond and loan covenants or being unable to replace maturing borrowing facilities could lead to a loss of shareholders' confidence and financial loss for shareholders.

Report of the Directors (continued)

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolio. Investment risk is spread through holding a wide range of securities in different countries and industrial sectors. On 30 September 2011, the portfolio was made up of 511 investments in 32 different countries. The Managers make use of third party risk systems to monitor investment risk and the Board receives quarterly risk reports. The Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are described in more detail on pages 26 and 27.

Shareholder Value

The Board and Managers recognise the importance of both marketing and share buy-backs in enhancing shareholder value. In terms of marketing, the Managers offer a range of private investor savings schemes, details of which can be found on page 53. In addition, meetings are held regularly with current and prospective shareholders and stockbroking analysts covering the investment trust sector. Share buy-backs, which will only be carried out at a discount to the net asset value per share, can help reduce the volatility of the discount, enhance the net asset value per share for continuing shareholders and provide an enhancement to the revenue return per share. Communication of up-to-date portfolio information is made through the Company's website.

Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Net asset value per share total return against the benchmark index.
- Discount of share price to net asset value per share.

- Revenue earnings and dividends per share.
- Total expenses as a ratio of shareholders' funds.

A historical record of these indicators is contained in the Ten Year Record on page 18.

Charitable Donations

During the year the Company made donations to four charities totalling £10,000 (2010 – £10,000).

Directors

The Directors who held office during the year and their interests in the shares of the Company at the year end were:

		2011 Ordinary Shares	2010 Ordinary Shares
Lynn Ruddick	Beneficial	34,788	34,487
	Non-Beneficial	3,719	3,123
James Long	Beneficial	14,227	13,665
James MacLeod	Beneficial	35,000	35,000
	Non-Beneficial	9,500	9,500
Ian Russell	Beneficial	20,000	20,000
Jimmy West	Beneficial	12,000	12,000

Since 30 September 2011, Lynn Ruddick and James Long have acquired beneficial interests in a further 84 shares and 103 shares respectively. Lynn Ruddick has acquired a non-beneficial interest in a further 129 shares. There have been no other changes in the interests of the Directors in the Ordinary Shares of the Company between 30 September 2011 and 14 November 2011.

No Director had an interest in the Company's 6.25 per cent Bonds 2031 during the year ended 30 September 2011 or has acquired an interest since the year end.

As explained in more detail under Corporate Governance on pages 24 to 26, the Board has agreed that all Directors will retire annually. Accordingly, all five Directors will retire at the Annual

General Meeting and, being eligible, offer themselves for re-election.

The Board confirms that, following the evaluation process set out in Corporate Governance below, the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

No Director has a contract of service with the Company or any material interest in any contract to which the Company is a party. In addition to any power of removal conferred by the Companies Acts, the Company may by special resolution remove any Director without notice.

Directors' Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors. The deeds give each Director the benefit of an indemnity to the extent permitted by the Companies Act 2006 against liabilities incurred by any of them in the execution of their duties and the exercise of their powers. A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Conflicts of Interest

Each Director has a statutory duty to avoid a situation where he or she has, or could have, a direct or indirect interest which conflicts, or may conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised by the Board in accordance with the Company's Articles of Association.

The Board has approved a protocol for identifying and dealing with conflicts and has resolved to conduct a review of actual or possible conflicts at

least annually. No conflicts or potential conflicts were identified during the year.

Substantial Interests in Share Capital

At the year end, the Company had received notification of the following holdings of voting rights:

	Number of Ordinary Shares Held	Percentage Held
AXA S.A.	48,137,805	16.5
F&C Asset Management	18,945,342	6.5
Legal & General Group	11,694,807	4.0

There have been no changes notified in respect of the above holdings, and no new holdings notified, since the end of the year.

Management

FCIB provides management and secretarial services to the Company.

During the year, the Board reviewed the appropriateness of the Managers' appointment. In carrying out its review the Board considered the past investment performance of the Company and the capability and resources of the Managers to deliver satisfactory income growth and investment performance. It also considered the standard of other services provided which include company secretarial, accounting and marketing.

As part of its annual review, the Board also considered the length of the notice period of the investment management agreement and the fees payable to the Managers, and agreed with the Managers to revise the management fee with effect from 1 October 2011.

Following this review, the Directors are satisfied with the Managers' ability to deliver satisfactory income growth and long term investment performance, and the quality of other services provided. It is the Directors' opinion that the continuing appointment of the Managers on the terms agreed is in the interests of shareholders.

Report of the Directors (continued)

A summary of the terms of the management agreement is contained in note 3 to the accounts.

Corporate Governance Statement

Shareholders hold the directors of a company responsible for the stewardship of that company's affairs. Corporate governance is the process by which a board of directors discharges this responsibility. The Company's arrangements in respect of corporate governance are explained in this section of the Report of the Directors.

The Company is required to comply with, or to explain its non-compliance with, the relevant provisions of The UK Corporate Governance Code issued by the Financial Reporting Council (the 'FRC') in June 2010 which can be found at www.frc.org.uk. The Association of Investment Companies (the 'AIC') issued its own Code of Corporate Governance in October 2010 (the 'AIC Code'), which can be found at www.theaic.co.uk, which has been approved by the FRC as it addresses all the principles of The UK Corporate Governance Code as well as setting out additional principles and recommendations on issues which are of specific relevance to investment trusts. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders than The UK Corporate Governance Code on its own.

Throughout the year, the Company complied with the recommendations of the AIC Code and the relevant provisions of The UK Corporate Governance Code. In common with most investment trusts, British Assets Trust plc differs from commercial companies in one important respect: it does not employ its own staff to manage the Company. Instead, management is delegated to an external fund management company, FCIB. Consequently, since all Directors are non-executive, and in accordance with the AIC Code, the provisions of The UK Corporate Governance Code on the role of the chief executive and, except in so far as they apply to non-executive Directors, on Directors'

remuneration are not relevant to the Company and are not reported on further.

The Board consists of independent non-executive Directors. Lynn Ruddick is the Chairman and Jimmy West is the Senior Independent Director. All the Directors have been issued with letters of appointment, which are available upon request. The Board has agreed that all Directors will retire annually and, if appropriate, seek re-election. The biographies of all the Directors are contained on page 18. During the year the performance of the Board, committees and individual Directors was evaluated through an assessment process led by the Chairman. This process involved the completion of questionnaires tailored to suit the nature of the Company, discussions with individual Directors and individual feedback from the Chairman to each of the Directors. The performance of the Chairman was evaluated by the Senior Independent Director after consultation with the other Directors. The Board believes that each Director is independent in character and that there are no relationships or circumstances which are likely to affect his or her judgement.

The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that the length of a Director's tenure reduces his or her ability to act independently. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of services of any of the Company's Directors, including the Chairman, has been imposed, although the Board believes in the merits of periodic and progressive refreshment of its composition.

The basis on which the Company aims to generate value over the longer term is set out in its objective, investment policy and strategy as contained within the Business Review on pages 20 and 21. As already mentioned, the Company has no executive Directors or employees as the day to day

management of the Company is delegated to external managers. A management agreement between the Company and the Managers sets out the matters over which the Managers have authority and the limits beyond which Board approval must be sought. All other matters, including corporate strategy, investment and dividend policies, gearing, corporate governance procedures, and risk management are reserved for the approval of the Board of Directors. The Board receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings.

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, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use their influence as investors with a principled approach to corporate governance. Environmental factors are, where appropriate, taken into consideration with regard to investment decisions on behalf of the Company. The Board notes the Managers' statement of compliance with The UK Stewardship Code issued by the Financial Reporting Council in July 2010, which can be found on its website at www.fandc.com/ukstewardshipcode.

Much of the Board's corporate governance responsibilities are discharged through the Audit Committee, the Management Engagement and Remuneration Committee, and the Nomination Committee. These Committees all operate within clearly defined written terms of reference, which are available upon request.

The Audit Committee is chaired by James MacLeod, and comprises all of the Directors except Lynn Ruddick. The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual and Interim Accounts, the system of internal

controls, and the terms of appointment of the auditor together with its remuneration. It is also the forum through which the auditor reports to the Board of Directors. It meets at least twice yearly. The objectivity of the auditor is reviewed by the Audit Committee which also reviews the terms under which it is appointed to perform non-audit services, which amounted to £5,000 for the year ended 30 September 2011 (2010: £11,000) and were for the provision of taxation services and a bond compliance certificate. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company and that the provision of such non audit services is not a threat to its objectivity and independence. A description of the main features of the Company's internal control and risk management systems is contained on pages 26 and 27.

The Management Engagement and Remuneration Committee, chaired by Lynn Ruddick, comprises the full Board and reviews the appropriateness of the Managers' continuing appointment, together with the terms and conditions thereof, on a regular basis. In addition to total return performance, the Managers are also judged in relation to management of the revenue account, quality of the fund management and administration teams, commitment to their investment trust business, strength of relationships with shareholders and the appropriateness of the management contract, including fees.

The Nomination Committee, chaired by Lynn Ruddick, comprises the full Board and is convened for the purpose of considering the appointment of additional Directors as and when appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills, experience, independence and knowledge of the Company within the Board. No new Directors were appointed during the year, but whenever there are new appointments these Directors receive an induction from the Managers on joining the Board. All

Report of the Directors (continued)

Directors receive other relevant training, collectively or individually, as necessary. The Nomination Committee did not meet during the year.

During the year ended 30 September 2011 there were eight Board meetings, two Audit Committee meetings and one Management Engagement and Remuneration Committee meeting. Mr Long and Mr Russell did not attend one Board meeting and Mr Russell did not attend one of the Audit Committee meetings. Otherwise all meetings were fully attended.

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. The Company maintains appropriate Directors' and Officers' liability insurance.

Going Concern

In assessing the going concern basis of accounting, the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Company, the availability of the revolving advance facility, compliance with the bond and loan covenants, and forecast revenues for the current financial year. The Directors have also taken into account the Company's investment policy, which is described on pages 20 and 21 and which is subject to regular Board monitoring processes, which is designed to ensure that the Company is invested in mainly liquid, listed securities. The Company retains title to all assets held by its custodian, and has agreements relating to its borrowing facilities.

Note 18 to the accounts sets out the financial risk profile of the Company and indicates the effect on its assets and liabilities of falls and rises in the value of securities, market rates of interest and changes in exchange rates.

The Directors believe, in the light of the controls and review processes noted above and bearing in mind the nature of the Company's business and assets, that the Company has adequate resources to continue in operational existence for the foreseeable

future. Accordingly, 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 internal control guidance issued by the Financial Reporting Council. The process relies principally on the Managers' existing risk-based approach to internal control whereby a test matrix is created which 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 internal control reports issued by the Managers and other service providers.

Such review procedures have been in place throughout the financial year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective, the benchmark index, and against comparable investment trusts. 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, approves changes to the 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, which are reported on by a firm of external reporting accountants, provide sufficient assurance that a sound system of internal control, to safeguard the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Relations with Shareholders

The Company places great importance on communication with shareholders and welcomes their views. The Managers hold meetings with the Company's largest shareholders and report back to the Board on these meetings. The Chairman and other Directors are available to, and do, meet 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. The notice for the forthcoming Annual General Meeting, to be held on 14 December 2011, is set out on pages 54 to 56. The Annual Report and Notice of Annual General Meeting are, where practicable, sent to shareholders at least 20 working days before the Meeting.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, bonds, bank loan, foreign exchange currency contracts, cash balances and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 18 to the accounts.

Directors' Authority to Allot Shares

The Directors are seeking authority to allot shares. Resolution 11 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal

amount of £7,277,807, being 10 per cent of the total issued shares on 14 November 2011. Resolution 12 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £3,638,903, being 5 per cent of the total issued shares on 14 November 2011, for cash without first offering such shares to existing shareholders *pro rata* to their existing holdings. These authorities will continue until the later of the expiry of 15 months from the passing of the resolutions and the conclusion of the next Annual General Meeting. The Directors will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and will not result in a dilution of net asset value per share. The Directors consider that the authorisations proposed in resolutions 11 and 12 are necessary to retain flexibility, although they do not intend to exercise the powers conferred by these authorisations at the present time.

Directors' Authority to Buy Back Shares

The Company did not purchase any Ordinary Shares for cancellation during the year ended 30 September 2011.

Resolution 13, as set out in the notice of the Annual General Meeting, seeks renewal of the Company's share buy-back authority. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of the issued Ordinary Shares of the Company on the date of the passing of the resolution (approximately 44 million Ordinary Shares). The price paid for shares will not be less than the nominal value of 25p per share nor more than the higher of (i) 5 per cent above the average closing price on the London Stock Exchange of an Ordinary Share over the five business days before the shares are purchased and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This power will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in net asset value per share of the remaining shares and is in the interests of the shareholders. Any

Report of the Directors (continued)

shares purchased under this authority will be cancelled or held in treasury for future re-issue at a premium to the prevailing net asset value per share. This authority will expire on the later of 14 June 2013 and the conclusion of the next Annual General Meeting of the Company.

Disclosure of Information to Auditors

The Directors confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The Company's shares are qualifying investments for Individual Savings Accounts. It is the intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

Creditor Payment Policy

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the year end.



By order of the Board

G R Hay Smith

Secretary

80 George Street

Edinburgh EH2 3BU

14 November 2011

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in its report on pages 49 and 50.

The Board consists solely of independent non-executive Directors and considers, at least annually, the level of the Directors' fees, in accordance with The UK Corporate Governance Code. The Company Secretary provides information on comparative levels of Directors' fees in advance of each review.

Policy on Directors' Fees

The Board's policy is that the remuneration of Directors should reflect the experience of the Board as a whole, the time commitment required, and be fair and comparable to that of other investment trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect its specific circumstances. It is intended that this policy will continue for the year ending 30 September 2012 and subsequent years.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association. The present limit is an aggregate of £300,000 per annum. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts, but each new Director is provided with a letter of appointment.

The Directors' letters of appointment are available on request at the Company's registered office during business hours and will be available for 15 minutes prior to, and during, the forthcoming Annual General Meeting.

The Board has agreed that all Directors will retire annually. There is no notice period and no provision for compensation upon early termination of appointment.

Director	Date of Appointment	Due date for Re-election
Lynn Ruddick	1/10/2004	AGM 2011
James Long	1/5/2006	AGM 2011
James MacLeod	17/12/1998	AGM 2011
Ian Russell	1/6/2008	AGM 2011
Jimmy West	22/6/1995	AGM 2011

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Managers through the investment management agreement, as referred to in the Report of the Directors on pages 23 and 24. The graph on the next page compares, for the five financial years ended 30 September 2011, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which a composite index, weighted as to 75 per cent FTSE All-Share Index and 25 per cent FTSE World (ex UK) Index, is calculated. This composite index was chosen as it represents a comparable broad equity market index and was the Company's benchmark during the period. An explanation of the performance of the Company for the year ended 30 September 2011 is given in the Chairman's Statement and Managers' Review.

Directors' Remuneration Report (continued)

Share Price Total Return and Composite Index
Total Return Performance Graph

Directors' Emoluments for the Year (audited)

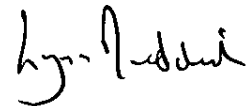
The Directors who served during the year received the following emoluments in the form of fees:

	2011 £	2010 £
Lynn Ruddick (Chairman from 17/12/2009)	38,063	32,858
William Thomson (Retired 17/12/2009)	-	6,361
James Long	21,750	20,750
James MacLeod	25,750	24,375
Christopher Masters (Retired 17/12/2009)	-	4,247
Ian Russell	21,750	20,750
Jimmy West	23,750	22,625
Total	131,063	131,966

On behalf of the Board

Lynn Ruddick

Director



14 November 2011

Income Statement

for the year ended 30 September

	Notes	Revenue £'000	Capital £'000	2011 Total £'000	Revenue £'000	Capital £'000	2010 Total £'000
(Losses)/gains on investments	9	–	(29,080)	(29,080)	–	30,471	30,471
Exchange differences	14	–	(152)	(152)	–	323	323
Income	2	19,166	–	19,166	17,156	–	17,156
Management expenses	3	(362)	(1,085)	(1,447)	(334)	(1,452)	(1,786)
Other expenses	4	(862)	–	(862)	(845)	–	(845)
Net return before finance costs and taxation		17,942	(30,317)	(12,375)	15,977	29,342	45,319
Finance costs	5	(1,031)	(3,092)	(4,123)	(1,030)	(3,090)	(4,120)
Return on ordinary activities before taxation		16,911	(33,409)	(16,498)	14,947	26,252	41,199
Tax on ordinary activities	6	(235)	–	(235)	(353)	–	(353)
Return attributable to shareholders		16,676	(33,409)	(16,733)	14,594	26,252	40,846
Return per share	8	5.7p	(11.5)p	(5.8)p	5.0p	9.0p	14.0p

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2011

	Notes	Called-up Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Shareholders' Funds £'000
Opening shareholders' funds		72,778	15,563	257,244	32,208	377,793
Dividends paid	7	–	–	–	(17,767)	(17,767)
Return attributable to ordinary shareholders		–	–	(33,409)	16,676	(16,733)
Closing shareholders' funds		72,778	15,563	223,835	31,117	343,293

for the year ended 30 September 2010

	Notes	Called-up Share Capital £'000	Capital Redemption Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Shareholders' Funds £'000
Opening shareholders' funds		72,778	15,563	230,992	35,409	354,742
Dividends paid	7	–	–	–	(17,795)	(17,795)
Return attributable to ordinary shareholders		–	–	26,252	14,594	40,846
Closing shareholders' funds		72,778	15,563	257,244	32,208	377,793

The total column of the Income Statement is the Profit and Loss Account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by The Association of Investment Companies.

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

No operations were acquired or discontinued in the year.

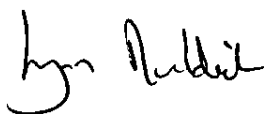
A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above Income Statement.

The accompanying notes are an integral part of the financial statements.

Balance Sheet

as at 30 September	Notes	£'000	2011 £'000	£'000	2010 £'000
Non-current assets					
Investments at fair value through profit or loss	9		413,563		457,280
Current assets					
Debtors	10	2,945		4,364	
Cash in bank and on deposit		10,671		7,002	
		13,616		11,366	
Creditors: amounts falling due within one year	11	(24,412)		(31,405)	
Net current liabilities			(10,796)		(20,039)
Total assets less current liabilities			402,767		437,241
Creditors: amounts falling due after more than one year	12		(59,474)		(59,448)
Net assets			343,293		377,793
Capital and reserves					
Called-up share capital	13, 14		72,778		72,778
Capital redemption reserve	14		15,563		15,563
Capital reserve	14		223,835		257,244
Revenue reserve	14		31,117		32,208
Shareholders' funds	15		343,293		377,793
Net asset value per share	15		117.9p		129.8p

The accounts on pages 31 to 47 were approved by the Board of Directors and authorised for issue on 14 November 2011 and signed on its behalf by:



Lynn Ruddick, Chairman

The accompanying notes are an integral part of the financial statements.

Cash Flow Statement

for the year ended 30 September

	Notes	2011 £'000	2010 £'000
Operating activities			
Investment income received		17,894	16,423
Deposit interest received		24	26
Option premiums received		942	–
Underwriting commission received		25	121
Management expenses paid		(1,897)	(2,091)
Other cash payments		(880)	(851)
Net cash inflow from operating activities	16	16,108	13,628
Servicing of finance			
Interest on 6.25 per cent Bonds 2031		(3,750)	(3,750)
Interest on revolving advance facility		(442)	(346)
Net cash outflow from servicing of finance		(4,192)	(4,096)
Capital expenditure and financial investment			
Purchases of investments		(225,647)	(185,907)
Sales of investments		239,751	187,576
Net cash inflow from capital expenditure and financial investment		14,104	1,669
Equity dividends paid	7	(17,767)	(17,795)
Net cash inflow/(outflow) before financing		8,253	(6,594)
Financing			
Revolving advance facility repaid		(4,312)	(304)
Net cash outflow from financing		(4,312)	(304)
Increase/(decrease) in cash	17	3,941	(6,898)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		3,941	(6,898)
Revolving advance facility repaid		4,312	304
Change in net debt resulting from cash flows		8,253	(6,594)
Currency (losses)/gains		(310)	209
Increase in 6.25 per cent Bonds 2031 liability		(26)	(27)
Movement in net debt in the period		7,917	(6,412)
Opening net debt		(79,871)	(73,459)
Closing net debt	17	(71,954)	(79,871)

The accompanying notes are an integral part of the financial statements.

Notes to the Accounts

1 Accounting policies

A summary of the principal accounting policies adopted is set out below.

(a) Basis of accounting

These financial statements have been prepared under UK Generally Accepted Accounting Practice ('UK GAAP') and in accordance with guidelines set out in the Statement of Recommended Practice ('SORP') for investment trust companies and venture capital trusts, issued in January 2009 by The Association of Investment Companies ('AIC'), except as disclosed in the following paragraph.

Expenses which are allocated to capital are available to reduce the Company's liability to corporation tax. The SORP recommends that the benefit of that tax relief should be allocated to capital and a corresponding charge made to revenue. This is known as the 'marginal method' of allocating tax relief between capital and revenue. The Company does not adopt the marginal method for two reasons. Firstly, the Company has only one class of share and any allocation of tax relief between capital and revenue would have no impact on shareholders' funds. Secondly, the significant unutilised management expenses and interest carried forward make it unlikely that the Company will be liable to corporation tax in the foreseeable future. Had this allocation been made, the charge to revenue and corresponding credit to capital for the year ended 30 September 2011 would have been £541,000 (2010: £348,000).

(b) Investments

Investments have been categorised as 'financial assets at fair value through profit or loss' and are recognised on a trade date basis, being the date the shares are traded. Listed investments are valued at their fair value which is represented by the bid price. Changes in fair value are included in the Income Statement as a capital item. Unquoted investments are valued by the Directors at their fair value on the basis of all information available to them at the time of valuation.

(c) Capital reserve

The following are accounted for in this reserve:

- realised and unrealised exchange differences on transactions of a capital nature;
- realised and unrealised exchange differences on forward foreign currency contracts;
- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at the year end;
- special dividends of a capital nature;
- expenses and finance costs charged to capital as set out in the policies below; and
- cost of purchasing Ordinary Shares for cancellation.

(d) Income

Dividends are recognised as income on the date which 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 is recognised on an accruals basis. Other investment income, underwriting commission and deposit interest are also recognised on an accruals basis.

Special dividends of a revenue nature are recognised through the revenue column of the Income Statement. Where the Company has elected to receive dividends in the form of additional shares rather than cash, an amount equal to the cash dividend is recognised as income.

(e) Traded options

The Company may enter into option contracts. The option contracts are shown in other assets or other liabilities at their fair values, being their market values adjusted for the amortisation of transaction expenses. The premiums received and fair value changes in the open positions are normally recognised in the revenue column of the Income Statement. However, where the options are written for the maintenance or enhancement of the Company's investments then the changes in fair value are recognised in the capital column of the Income Statement.

(f) Deferred taxation

Where the year in which tax deductible expenditure is incurred differs from the year in which tax relief for the expenditure is given, the amount of the tax relief is known as 'deferred tax'. Since the management expenses incurred by the Company in the year under review exceed its profits liable to UK corporation tax (see note 6(b)), the tax relief attributable to the excess expenses, which can be carried forward to future years, is a 'deferred tax asset'. However, in accordance with UK GAAP, that deferred tax asset has not been recognised in these accounts since it is unlikely that, in future years, the Company will receive sufficient profits liable to UK corporation tax against which the brought forward expenses can be set.

(g) Expenses

Expenses are accounted for on an accruals basis. Transaction costs incurred on the purchase and sale of investments are taken to the Income Statement as a capital item. Other expenses are all allocated to revenue with the exception of management fees which are allocated 25 per cent to revenue and 75 per cent to capital in accordance with the Board's view on the expected long-term split of returns, in the form of income and capital gains respectively, from the Company's investment portfolio. Performance fees, which derive predominantly by virtue of the Company's capital performance, are charged 100 per cent to capital. There was no performance fee payable during the year (2010: £450,000) and with effect from 1 October 2011 the performance fee arrangement has been discontinued (see note 3).

(h) Finance costs

Finance costs are accounted for on an effective yield 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 25 per cent to revenue and 75 per cent to capital in accordance with the Board's view on the expected long-term split of returns, in the form of income and capital gains respectively, from the Company's investment portfolio.

(i) Dividends

Dividends paid are calculated on an amount per share as approved by the Board of Directors and are recognised in the financial statements when they are paid.

(j) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates on 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 the Capital Reserve or Revenue Reserve depending on the nature of the gain or loss.

Rates of exchange at 30 September

	2011	2010
US Dollar	1.5578	1.5758
Euro	1.1611	1.1543
Japanese Yen	120.0752	131.6424

Notes to the Accounts (continued)

2 Income

	2011 £'000	2010 £'000
Investment income – listed UK:		
Dividend income	11,859	10,915
Other investment income	1,935	2,099
Investment income – listed overseas:		
Dividend income	2,741	2,790
Other investment income	1,585	1,205
Other income:		
Option premiums	997	–
Deposit interest	24	26
Underwriting commission	25	121
Total income	19,166	17,156
Total income comprises:		
Dividends	14,600	13,705
Income from fixed interest securities	3,520	3,304
Option premiums	997	–
Deposit interest	24	26
Underwriting commission	25	121
	19,166	17,156

3 Management expenses	2011			2010		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee:						
– basic	362	1,085	1,447	334	1,002	1,336
– performance	–	–	–	–	450	450
	362	1,085	1,447	334	1,452	1,786

Throughout the year the Company's investment manager was F&C Investment Business Limited ('FCIB'). During this period FCIB received a basic quarterly fee, payable in advance, equal to 0.075 per cent of the value of the Company's total assets less current liabilities (excluding loans). FCIB was also entitled to receive a performance-related fee calculated on an annual basis by reference to the performance of the Company against the benchmark index over each 12 month period ended on 30 September. If the Company's net asset value total return for any such period exceeded the total return from the benchmark index, a performance-related fee was payable, on a sliding scale, at a rate of up to 0.3 per cent per annum of the value of equity shareholders' funds at the end of the period, depending on the level of outperformance. The maximum rate of performance-related fee was earned when the outperformance for a 12 month period was 3.0 per cent or more.

With effect from 1 October 2011, the basic quarterly management fee has been increased to 0.1 per cent of the value of the Company's total assets less current liabilities (excluding loans) and the performance-related fee has been discontinued.

The contract between the Company and FCIB may be terminated at any time by either party giving six months' notice of termination. In the event of the Company terminating the contract by giving less than six months' notice, FCIB is entitled to compensation calculated as a proportion of the fees payable by the Company in respect of the previous financial year pro-rated to the date of termination.

Basic investment management fees are allocated 25 per cent to revenue and 75 per cent to capital. Performance fees were charged 100 per cent to capital.

4 Other expenses	2011	2010
	£'000	£'000
Directors' fees	131	132
Auditors' remuneration for:		
– audit	25	24
– taxation services	2	10
– other	3	1
Marketing and savings plan administration	261	250
Custody fees and bank charges	93	87
Registrars' fees	54	99
Other expenses	293	242
	862	845

Notes to the Accounts (continued)

5 Finance costs	Revenue	Capital	2011	Revenue	Capital	2010
	£'000	£'000	Total	£'000	£'000	Total
			£'000			£'000
Debt repayable within 5 years:						
– Revolving advance facility	87	260	347	86	257	343
Debt repayable in more than 5 years:						
– 6.25 per cent Bonds 2031	944	2,832	3,776	944	2,833	3,777
	1,031	3,092	4,123	1,030	3,090	4,120

Finance costs are allocated 25 per cent to revenue and 75 per cent to capital.

6(a) Tax on ordinary activities	2011	2010
	£'000	£'000
Overseas taxation	235	353

The Company had £47,896,000 unutilised management expenses and interest at 30 September 2011 (2010: £43,759,000). No deferred tax asset has been recognised on this amount as it is unlikely that there will be taxable profits from which unutilised expenses could be deducted.

6(b) Reconciliation of tax charge	2011	2010
	£'000	£'000
A reconciliation of the current tax charge is set out below:		
Return on ordinary activities before taxation	(16,498)	41,199
Corporation tax at standard rate of 27.0 per cent (2010: 28.0 per cent)	(4,454)	11,536
Effects of:		
Non-taxable capital returns	7,892	(8,622)
Non-taxable UK dividend income	(3,202)	(3,056)
Non-taxable overseas dividend income	(740)	(781)
Movement in unutilised management expenses and non trade deficit	504	923
Overseas tax suffered	235	353
Total current tax charge for the year	235	353

7 Dividends	2011	2010
	£'000	£'000

Amounts paid during the year:

– third quarterly interim of 1.442p per share paid in respect of the year ended 30 September 2010 (2009: 1.442p)	4,198	4,219
– final of 1.786p per share paid in respect of the year ended 30 September 2010 (2009: 1.786p)	5,199	5,199
– first quarterly interim of 1.442p per share paid in respect of the year ended 30 September 2011 (2010: 1.442p)	4,198	4,198
– second quarterly interim of 1.442p per share paid in respect of the year ended 30 September 2011 (2010: 1.442p)	4,198	4,198
– unclaimed dividends from previous years	(26)	(19)
	17,767	17,795

Amounts payable after the year end:

– third quarterly interim of 1.442p per share in respect of the year ended 30 September 2011 (2010: 1.442p)	4,198	4,198
– proposed final of 1.786p per share in respect of the year ended 30 September 2011 (2010: 1.786p)	5,199	5,199
	9,397	9,397

8 Return per share

The returns per Ordinary Share represent the Company's earnings per share before the payment of dividends, as shown in the Income Statement.

	2011			2010		
	Revenue	Capital	Total	Revenue	Capital	Total
Ordinary	5.7p	(11.5)p	(5.8)p	5.0p	9.0p	14.0p

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

	2011			2010		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Ordinary	16,676	(33,409)	(16,733)	14,594	26,252	40,846

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

	2011	2010
Weighted average number of shares in issue during the year	291,112,282	291,112,282

9 Investments

	2011	2010
	£'000	£'000
Investments listed on a recognised investment exchange	413,342	456,891
Unquoted investments	221	389
Total investments	413,563	457,280

	Listed in UK	Listed overseas	Unquoted	Total
	£'000	£'000	£'000	£'000
Opening book cost	292,593	115,126	389	408,108
Opening fair value adjustment	40,570	8,602	–	49,172
Opening valuation	333,163	123,728	389	457,280
Movements in the year:				
Purchases at cost	114,200	109,634	–	223,834
Sales – proceeds	(110,041)	(128,430)	–	(238,471)
– gains on sales	13,087	11,075	–	24,162
Decrease in fair value adjustment	(35,473)	(17,601)	(168)	(53,242)
Closing valuation	314,936	98,406	221	413,563
Closing book cost	309,839	107,405	389	417,633
Closing fair value adjustment	5,097	(8,999)	(168)	(4,070)
Closing valuation	314,936	98,406	221	413,563

Notes to the Accounts (continued)

9 Investments (continued)	2011	2010
	£'000	£'000
Equity shares	360,023	401,201
Fixed income securities	53,540	56,079
	413,563	457,280

Gains on investments sold	24,162	8,521
(Decrease)/increase in fair value adjustment	(53,242)	21,950
(Losses)/gains on investments	(29,080)	30,471

The total expenses incurred on the purchase and sale of investments were £770,000 and £429,000 respectively (2010: £549,000 and £351,000).

10 Debtors	2011	2010
	£'000	£'000
Amounts due from brokers	422	1,928
Prepayments and accrued income	2,427	2,436
Other debtors	96	–
	2,945	4,364

11 Creditors: amounts falling due within one year	2011	2010
	£'000	£'000
Revolving advance facility	23,151	27,425
Amounts due to brokers	733	2,546
Fees due to investment manager	–	450
Interest on 6.25 per cent Bonds 2031	207	207
Foreign currency exchange contracts	33	191
Other creditors	288	586
	24,412	31,405

The Company has a £60 million committed unsecured multi-currency revolving advance facility which matures in March 2013. On 30 September 2011, £23.2 million (2010: £27.4 million), in various currencies, was drawn down.

The principal covenant relating to this loan requires the Company to ensure that at all times its total borrowings (including the 6.25 per cent Bonds 2031) do not exceed 50 per cent of the net asset value (as defined by the loan agreement).

12 Creditors: amounts falling due after more than one year	2011	2010
	£'000	£'000
6.25 per cent Bonds 2031	59,474	59,448

The Company has in issue £60 million nominal 6.25 per cent Bonds 2031 which were issued at 99.343 per cent. The bonds have been accounted for in accordance with accounting standards, which require any discount or issue costs to be amortised over the life of the bonds. The bonds are secured by a floating charge over all the assets of the Company.

Under the covenants relating to the bonds, the Company is to ensure that, at all times, the aggregate principal amount outstanding in respect of monies borrowed by the Company does not exceed an amount equal to its share capital and reserves.

13 Share capital	2011 Shares	2010 Shares	2011 £'000	2010 £'000
Issued and fully paid at 30 September				
Ordinary Shares of 25p each	291,112,282	291,112,282	72,778	72,778

14 Reserves	Called-up share capital £'000	Capital redemption reserve £'000	Capital reserve – investments sold £'000	Capital reserve – investments held £'000	Revenue reserve £'000
At 30 September 2010	72,778	15,563	208,263	48,981	32,208
Exchange differences	–	–	(310)	158	–
Gains on investments sold	–	–	24,162	–	–
Losses on investments still held	–	–	–	(53,242)	–
Management expenses charged to capital	–	–	(1,085)	–	–
Finance costs charged to capital	–	–	(3,092)	–	–
Dividends paid	–	–	–	–	(17,767)
Retained net revenue for the year	–	–	–	–	16,676
At 30 September 2011	72,778	15,563	227,938	(4,103)	31,117

Capital management

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors. The Company's capital is represented by the issued share capital, Capital Redemption Reserve, Capital Reserve and Revenue Reserve.

Capital redemption reserve

The nominal value of Ordinary Shares bought-back for cancellation is added to this reserve. This reserve is non-distributable.

Capital reserve

Items accounted for this reserve are detailed in accounting policy 1(c).

Revenue reserve

The net profit arising in the revenue column of the Income Statement is added to this reserve. Dividends paid during the year are deducted from the reserve and it is available for paying future dividends on the Company's shares.

15 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 were as follows:

	Net asset value per share		Net asset value	
	2011	2010	2011	2010
	pence	pence	£'000	£'000
Ordinary Shares	117.9	129.8	343,293	377,793

Net asset value per Ordinary Share is calculated on shareholders' funds of £343,293,000 (2010: £377,793,000) divided by the number of Ordinary Shares in issue at the year end of 291,112,282 (2010: same).

Notes to the Accounts (continued)

16 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2011	2010
	£'000	£'000
Total return before finance costs and taxation	(12,375)	45,319
Losses/(gains) on investments	29,080	(30,471)
Exchange differences	152	(323)
Decrease/(increase) in accrued income and prepayments	9	(234)
Decrease in other debtors	-	294
Decrease in other creditors	(73)	(5)
Decrease in fees due to the investment manager	(450)	(599)
Tax on investment income	(235)	(353)
Net cash inflow from operating activities	16,108	13,628

17 Analysis of changes in net debt

	At 30				At 30
	September	Cash	Other	Currency	September
	2010	flow	movements	movements	2011
	£'000	£'000	£'000	£'000	£'000
Cash in bank and on deposit	7,002	3,941	-	(272)	10,671
6.25 per cent Bonds 2031	(59,448)	-	(26)	-	(59,474)
Revolving advance facility	(27,425)	4,312	-	(38)	(23,151)
	(79,871)	8,253	(26)	(310)	(71,954)

18 Financial instruments

The Company's financial instruments comprise equity and fixed interest investments, foreign currency exchange contracts, cash balances, bonds, a bank loan and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings, as detailed in notes 11 and 12, the Chairman's Statement and the Managers' Review, to achieve improved performance in rising markets. The risk of borrowings may be reduced by raising the level of cash balances held. The Company also has the ability to enter into derivative transactions in the form of financial currency contracts and futures and options, subject to Board approval, for the purpose of managing currency and market risk arising from the Company's portfolio, and enhancing income.

Listed fixed asset investments held (see note 9) are valued at fair value. For listed securities this is either bid price or the last traded price depending on the convention of the exchange on which the investment is listed. Unquoted investments are valued by the Directors on the basis of all information available to them at the time of valuation. The market value of the Company's bonds is disclosed on page 44. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 32. The fair value of the bank loan is not materially different from the carrying value in the Balance Sheet.

The main risks that the Company faces arising from its financial instruments are:

- (i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;
- (ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;
- (iii) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company;
- (iv) liquidity risk, being the risk that the Company may not be able to liquidate its investments quickly enough to meet its ongoing financial commitments; and
- (v) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency rates.

18 Financial instruments (continued)

The Company held the following categories of financial instruments as at 30 September 2011 and 2010:

	2011 £'000	2010 £'000
Financial assets		
Investment portfolio	413,563	457,280
Cash in bank and on deposit	10,671	7,002
Amounts due from brokers	422	1,928
Payments and accrued income	2,427	2,436
Other debtors	96	-
Financial liabilities		
6.25 per cent Bonds 2031	59,474	59,448
Revolving advance facility	23,151	27,425
Amounts due to brokers	733	2,546
Fee due to investment manager	-	450
Bond interest payable	207	207
Other creditors	321	777

Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out in note 9. Derivatives may be used from time to time to hedge specific market risk, gain exposure to a specific market or to enhance income. As at the year end the Company held no material exposure to derivatives other than hedged currency exposure as disclosed on page 47.

If the investment portfolio valuation fell by 20 per cent at 30 September 2011, the impact on the profit or loss and the net asset value would have been negative £82.7 million (2010: negative £91.5 million). If the investment portfolio valuation rose by 20 per cent at 30 September 2011, the impact on the profit or loss and the net asset value would have been positive £82.7 million (2010: positive £91.5 million). The calculations are based on the portfolio valuation as at the respective balance sheet dates and are not representative of the year as a whole.

The Company held the following categories of financial instruments at 30 September 2011 and 2010, all of which are included in the balance sheet at fair value:

Classification of financial instruments

	2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets								
Investment portfolio	413,342	-	221	413,563	456,891	-	389	457,280
Foreign exchange currency contracts	(33)	-	-	(33)	(191)	-	-	(191)
	413,309	-	221	413,530	456,700	-	389	457,089

Notes to the Accounts (continued)

18 Financial instruments (continued)

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data. The Company holds one unquoted investment which is categorised as level 3. A reconciliation of movements in the year is contained in note 9.

Interest rate risk

Floating rate

Interest payments are received on cash balances by reference to the bank base rates for the relevant currency for each deposit.

	2011 £'000	2011 Average interest rate	2011 Period until maturity	2010 £'000	2010 Average interest rate	2010 Period until maturity
Amount drawdown under multi-currency revolving advance facility	23,151	1.09%	1.5 years	27,425	0.93%	2.5 years

The revolving advance facility is a multi-currency facility consisting of:

	2011 £'000	2010 £'000
Sterling	16,000	18,000
US Dollar	5,160	6,849
Euro	1,477	2,083
Japanese Yen	514	493
	23,151	27,425

If the bank base rate had increased by 0.5 per cent, the impact on the profit or loss and net asset value would have been a loss of £62,000 (2010: £102,000). If the bank base rate had decreased by 0.5 per cent, the impact on the profit or loss and net asset value would have been a profit of £62,000 (2010: £102,000). The calculations are based on the cash balances and the revolving advance facility as at the respective balance sheet dates and are not representative of the year as a whole.

Fixed rate

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

	2011 £'000	2011 Average interest rate	2011 Average period until maturity	2010 £'000	2010 Average interest rate	2010 Average period until maturity
Fixed interest investments	53,450	7.00%	9.05 years	56,079	5.70%	8.95 years
Fixed interest liabilities:						
6.25 per cent Bonds 2031	59,474	6.25%	19.95 years	59,448	6.25%	20.95 years

The bonds are denominated in sterling. In the event that the Company decides to repay the bonds before their maturity date the terms of issue may result in a penalty for early repayment.

The fair value of the bonds, based on middle market prices at 30 September 2011 was £68.6 million (2010: £63.5).

18 Financial instruments (continued)

Non-interest bearing investments

The Company's non-interest bearing investments are its equity investments which had a value of £360,023,000 as at 30 September 2011 (2010: £401,201,000).

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2011	2010
	£'000	£'000
Fixed income securities	53,540	56,079
Cash at bank and on deposit	10,671	7,002
Balances due from brokers	422	1,928
Interest, dividends and other receivables	2,427	2,436
	67,060	67,445

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the diversity of counterparties used.

All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports, as described in the Report of the Directors on pages 26 and 27. The Managers have a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis.

The credit risk on liquid funds and derivative financial instruments is controlled through the Managers' process for approving counterparties, which incorporates both a quantitative and qualitative review process in order to achieve a substantial overview of the credit worthiness of all counterparties. Bankruptcy or insolvency of such counterparties may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

As at 30 September 2011 the Company had two overnight deposits of £6.0 million and £2.8 million (2010: two of £1.3 million each) with two separate counterparties. There were no other material concentrations of credit risk to counterparties at 30 September 2011 or 30 September 2010 because other deposits were spread over a number of counterparties.

Liquidity risk

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and expenses as they fall due. Short term flexibility is achieved, where necessary, through the use of overdraft facilities.

The Company's liquidity risk is managed on an ongoing basis by the Managers.

Notes to the Accounts (continued)

18 Financial instruments (continued)

Contractual maturity analysis for financial liabilities:

	One month £'000	One and three months £'000	Three and twelve months £'000	Between one and five years £'000	After five years £'000	Total £'000
Current liabilities:						
Amounts due to brokers	(733)	-	-	-	-	(733)
Other creditors	(282)	-	-	-	-	(282)
Revolving advance facility	(23,210)	-	-	-	-	(23,210)
Long term liabilities:						
6.25 per cent Bonds 2031	-	-	(3,750)	(15,000)	(116,250)	(135,000)
Total liabilities	(24,225)	-	(3,750)	(15,000)	(116,250)	(159,225)

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 2011, the Company entered into US Dollar and Euro foreign currency contracts with a view to partially hedging these currency risks.

Foreign currency exposure:

	2011 Investments £'000	2011 Current assets/ (liabilities) £'000	2011 Loans £'000	2010 Investments £'000	2010 Current assets/ (liabilities) £'000	2010 Loans £'000
Australian Dollar	1,815	76	-	2,485	-	-
Brazilian Real	4,778	1	-	11,839	-	-
Canadian Dollar	3,081	4	-	2,763	-	-
Chilean Peso	-	-	-	349	-	-
Chinese Yuan	822	-	-	4,038	-	-
Colombian Peso	-	-	-	742	-	-
Danish Krona	872	-	-	379	-	-
Euro	15,048	453	(1,477)	20,827	72	(2,083)
Hong Kong Dollar	4,292	1	-	3,073	-	-
Hungarian Forint	545	-	-	-	-	-
Indian Rupee	2,611	-	-	6,324	-	-
Indonesian Rupiah	713	-	-	3,329	15	-
Japanese Yen	7,586	277	(514)	6,975	123	(493)
Malaysian Dollar	-	-	-	1,941	-	-
Mexican Peso	706	-	-	2,303	-	-
Norwegian Krone	327	-	-	-	-	-
Peruvian Sol	-	-	-	899	-	-
Russian Rouble	1,186	-	-	2,822	-	-
Singapore Dollar	1,267	-	-	1,840	-	-
South African Rand	2,336	-	-	1,664	-	-
South Korean Won	6,592	-	-	6,085	(20)	-
Swedish Krona	1,147	-	-	951	-	-
Swiss Franc	2,403	-	-	3,188	-	-
Taiwan Dollar	3,083	-	-	2,106	16	-
Thai Baht	649	-	-	1,008	-	-
Turkish Lira	1,054	-	-	979	-	-
US Dollar	35,493	1,537	(5,160)	40,047	2,259	(6,849)
Total	98,406	2,349	(7,151)	128,956	2,465	(9,425)

18 Financial instruments (continued)

The foreign exchange currency contracts not yet realised were as follows:

	2011	2011	2010	2010
	Hedged	Unrealised	Hedged	Unrealised
	amount	gain/(loss)	amount	gain/(loss)
	£'000	£'000	£'000	£'000
US Dollar for sterling	3,203	(47)	5,973	(296)
Euro for sterling	7,017	14	4,418	105
	10,220	(33)	10,391	(191)

If the value of sterling had weakened against each of the currencies in the portfolio by 20 per cent, the impact on the profit or loss and the net asset value would have been positive £23.4 million (2010: positive £30.5 million). If the value of sterling had strengthened against each of the currencies in the portfolio by 20 per cent, the impact on the profit or loss and the net asset value would have been negative £15.6 million (2010: negative £20.3 million). The calculations are based on the portfolio valuation and cash and loan balances as at the respective balance sheet dates and are not representative of the year as a whole. They do not take account of any impact on corporate profits of investee companies as a result of these currency movements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review), a Directors' Remuneration Report and a Corporate Governance Statement.

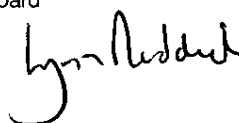
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position, loss and cash flows of the Company; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Lynn Ruddick
Chairman

14 November 2011



Independent Auditor's Report

Independent Auditor's Report to the Members of British Assets Trust plc

We have audited the financial statements of British Assets Trust plc for the year ended 30 September 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements

sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Company's annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material mis-statements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report (continued)

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are Required to Review:

- the Directors' statement, set out on page 26, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2010 Combined Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.



Julian Young (Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

14 November 2011

Shareholder Information

Annual General Meeting

The Annual General Meeting of British Assets Trust plc will be held at 80 George Street, Edinburgh EH2 3BU on Wednesday, 14 December 2011 at 12 noon.

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 Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA 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 to shareholders' registered addresses.

Dividend Reinvestment Plan

Shareholders who wish to use their dividends to purchase further shares in the Company by participating in the Company's Dividend Reinvestment Plan can complete a mandate form which may be obtained from Equiniti Limited on request.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. Prices are given daily in the *Financial Times*, *The Scotsman*, *The Times* and *The Daily Telegraph*.

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 Equiniti Limited under the signature of the registered holder.

Daily Net Asset Value

The net asset value of the Company's shares can be obtained on the Company's website at www.british-assets.co.uk or by contacting F&C Asset Management plc's Investor Services team on 0845 600 3030.

Profile of the Company's Ownership

% of Ordinary Shares held at 30 September 2011

Shareholder Information (continued)

Financial Calendar 2011/12

14 December 2011	Annual General Meeting
6 January 2012	Final dividend paid
January 2012	Publication of Interim Management Statement
April 2012	First interim dividend paid
May 2012	Announcement of Interim Results Posting of Interim Report
July 2012	Second interim dividend paid Publication of Interim Management Statement
October 2012	Third interim dividend paid
November 2012	Announcement of Annual Results Posting of Annual Report

Warning to Shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/pages/register/
- Report the matter to the FSA by calling 0845 606 1234
- If the calls persist, hang up

More detailed information on this can be found on the CFEB website www.moneymadeclear.fsa.gov.uk

How to Invest

As well as investing in British Assets Trust plc directly through a stockbroker, there are some additional benefits of investing through one of the savings plans run by F&C Management Limited ('F&C').

You can enjoy the convenience of making regular savings by Direct Debit, take advantage of our tax-efficient ISA wrapper, receive a simple statement every six months and let us automatically reinvest your dividends for you.

F&C Private Investor Plan

A flexible, low cost way to invest with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at anytime from £250.

F&C Investment Trust ISA

Use your ISA allowance to invest up to £10,680 tax efficiently each year with a lump sum from £500 or regular savings from £50 a month. You can also make additional lump sum top-ups at anytime from £250 and transfer any existing ISAs to us whilst maintaining all the tax benefits.

F&C Child Trust Fund ('CTF')

F&C is a leading provider of CTFs which can be opened for all children born between 1 September 2002 and 31 December 2010 using the government's CTF voucher. The maximum that can be invested annually is £3,600 and, depending on the type of CTF opened, investments can start from as little as £10 a month.

F&C Children's Investment Plan

Aimed at older children ineligible for a CTF, or if you need access to the funds before the child is 18. This flexible plan can easily be written under trust to help reduce inheritance tax liability. Investments can be made from a £250 lump sum or £25 a month. You can also make additional lump sum top-ups at anytime from £100.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and you may not receive back the full amount originally invested. Tax rates and reliefs depend on the circumstances of the individual.

Low Charges

All the plans are low cost and flexible. When you buy or sell shares in these plans the dealing fee is only 0.2 per cent. Government stamp duty of 0.5 per cent also applies on purchases (where applicable). There are no initial or exit charges. The only annual management fee is on the ISA, which is £60 + VAT (no matter how many ISAs you take out annually with F&C, or how many ISAs you transfer). The CTF has no initial charges, dealing charges or annual management fee.

How to Invest

You can invest in all our savings plans online, except for the CTF. It's simple to register and invest using your debit card. Alternatively, please contact us for application forms.

New Customers:

Contact our Investor Services Team:

Call: **0800 136 420**
Email: **info@fandc.com**
Investing online: **www.fandc.com**

Existing Plan Holders:

Contact our Investor Services Team:

Call: **0845 600 3030**
Email: **investor.enquiries@fandc.com**
By post: F&C Plan Administration Centre
Block C, Western House
Lynch Wood Business Park
Peterborough, PE2 6BP

Calls may be recorded.

If you have trouble reading small print, please let us know. We can provide literature in alternative formats, for example large print or on audiotape. Please call 0845 600 3030.

The above has been approved by F&C Management Limited which is a member of the F&C Asset Management Group and is authorised and regulated by the Financial Services Authority.

Notice of Annual General Meeting

Notice is hereby given that the One Hundred and Fourteenth Annual General Meeting of British Assets Trust Public Limited Company will be held at 80 George Street, Edinburgh EH2 3BU on Wednesday, 14 December 2011 at 12 noon for the following purposes:

Ordinary Business

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

1. That the Report and Accounts for the year ended 30 September 2011 be received.
2. That the Directors' Remuneration Report for the year ended 30 September 2011 be approved.
3. That a final dividend of 1.786 pence per Ordinary Share be declared.
4. That Ian Russell, who retires annually, be re-elected as a Director.
5. That James Long, who retires annually, be re-elected as a Director.
6. That James MacLeod, who retires annually, be re-elected as a Director.
7. That Jimmy West, who retires annually, be re-elected as a Director.
8. That Lynn Ruddick, who retires annually, be re-elected as a Director.
9. That Ernst & Young LLP be re-appointed as Auditor.
10. That the Directors be authorised to determine the Auditor's remuneration.
11. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert

any security into shares in the Company ("Securities") provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £7,277,807, such authority to expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the later, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

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

12. That, subject to the passing of resolution number 11 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority given by resolution number 11 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

- (a) expires at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the later, save that the Company may, before such expiry,

make an 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 any such offer or agreement as if the power conferred hereby had not expired; and

- (b) shall be limited to the allotment of equity securities up to an aggregate nominal value £3,638,903 being approximately 5 per cent of the nominal value of the issued share capital of the Company, as at 14 November 2011.

13. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 25 pence each in the capital of the Company ("ordinary shares") (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 43,637,731, representing approximately 14.99 per cent of the Company's issued share capital at the date of the posting of this resolution;
- (b) the minimum price (excluding expenses) which may be paid for each ordinary share is 25 pence;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:

- (i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or on 14 June 2013 whichever is the later, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.



By order of the Board
G R Hay Smith
Secretary
80 George Street
Edinburgh EH2 3BU

14 November 2011

Notice of Annual General Meeting (continued)

Notes

1. A member entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him provided that, if more than one proxy is appointed, each proxy is appointed to exercise rights attached to different shares. A proxy need not be a member of the Company.
2. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
3. 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 (i) by 12 noon on 12 December 2011 or, (ii) in respect of an adjourned meeting, no later than 48 hours (excluding non-working days) before the holding of that adjourned meeting (or, in the case of a poll taken subsequent to the date of the meeting or an adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll).
4. 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 12 December 2011 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm two days (excluding non-working days) before any adjourned meeting, shall be entitled to attend, speak or vote at the meeting in respect of the number of Ordinary Shares registered in their names at that time. Changes to the entries on the Register of Members after 6.00 pm on 12 December 2011 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm two days (excluding non-working days) before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.
5. Any person holding 3 per cent of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.
6. The members of the Company may require the Company to publish, on its website (without payment), a statement (which is also passed to the Company's auditors) setting out any matter relating to the audit of the Company's accounts, including the auditors' report and the conduct of the audit. The Company will be required to do so once it has received such requests from members representing at least 5 per cent of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state the member's full name and address and be sent to 80 George Street, Edinburgh EH2 3BU.
7. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from www.british-assets.co.uk.
8. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting and put by a member attending the meeting unless:
 - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee by other means.
11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system-timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. No Director has a contract of service with the Company. The Directors' letters of appointment will be available for 15 minutes prior to, and during the Annual General Meeting.
14. As at 5.00 pm on 14 November 2011 (being the latest applicable date prior to the publication of this notice), the Company's issued share capital comprised 291,112,282 Ordinary Shares of 25p each. Every Member holding Ordinary Shares shall have one vote for every Ordinary Share held by them and therefore the total number of voting rights in the Company at 5.00 pm on 14 November 2011 was 291,112,282.
15. Members who have general queries about the Annual General Meeting should not use any electronic address to communicate with the Company but should call the Company's registrars on 0871 384 2462. Calls to this number cost 8p per minute from a BT landline. Other providers' costs may vary. Lines open 8.30 am to 5.30 pm, Monday to Friday. The Company's registrars' overseas helpline number is + 44 121 415 7047.

Corporate Information

Directors

Lynn C Ruddick, (Chairman)*
James M Long, TD
James S MacLeod†
Ian S M Russell
Jimmy G West‡

Company Secretary

Gordon R Hay Smith, CA

Investment Managers

F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Brokers

Cenkos Securities Limited
6.7.8 Tokenhouse Yard
London EC2R 7AS

Solicitors

Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Bankers

JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Company Number

SC 3721

*Chairman of the Management Engagement and Remuneration
Committee and the Nomination Committee

†Chairman of the Audit Committee

‡Senior Independent Director

Registered Office

80 George Street
Edinburgh EH2 3BU
Tel: 0207 628 8000
Fax: 0131 225 2375

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Registrars' Shareholder Helpline: 0871 384 2462 *
Registrars' Broker Helpline: 0906 559 6025 †

* Calls to this number are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.

† Calls to this number are charged at £1 per minute from a BT landline. Other telephone providers' costs may vary.