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The English and New York Trust plc Report and Accounts 1985



MANAGERS

KLEINWORT BENSON
INVESTMENT MANAGEMENT

Front cover photographs

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1. **Abbott Laboratories**
The Sorenson transpac—a disposable pressure transducer.
2. **Thomson-CSF**
The RITA battlefield communication system developed by Thomson-CSF.
3. **Hong Kong and Shanghai Bank**
The new head office in Hong Kong.
4. **Daimler-Benz**
The new Mercedes-Benz 200-300 series.

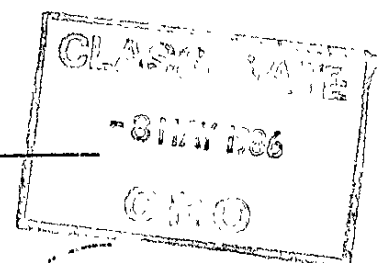


A member of The Association of Investment Trust Companies

The English and New York Trust plc

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Key Facts

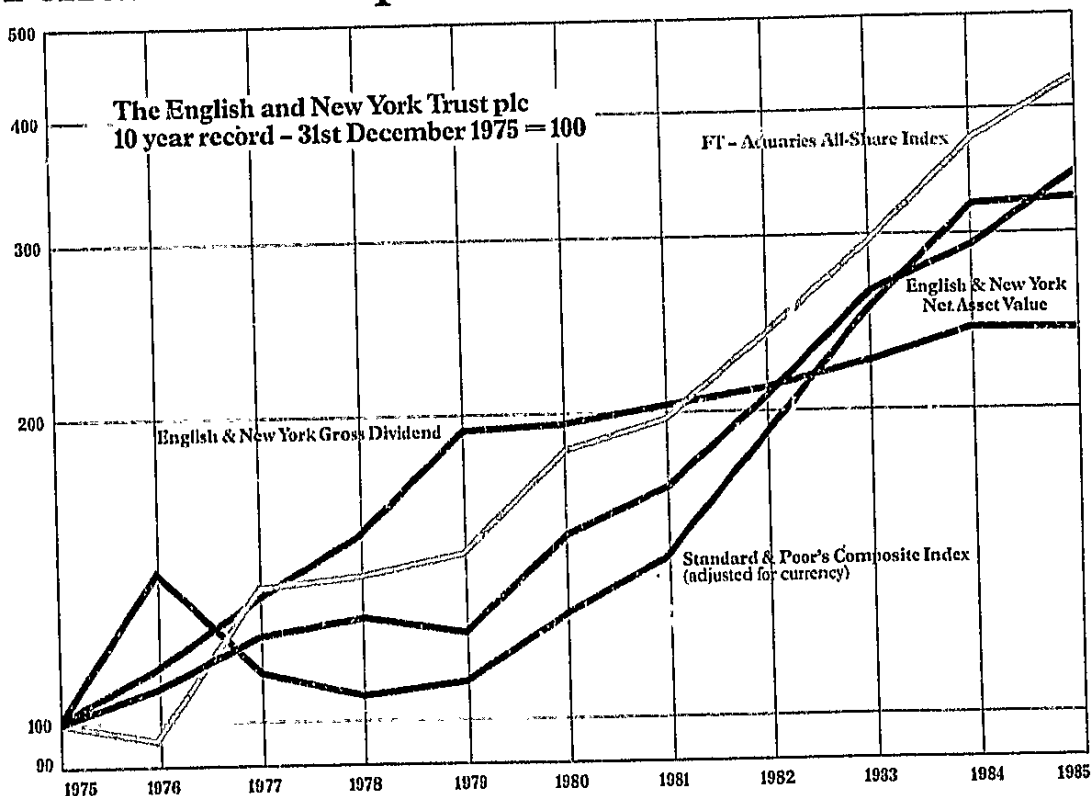
Investment Objective

To place the emphasis on overseas investment so that the content of the portfolio will normally be predominantly committed to foreign markets.

Highlights of the Year

	1985	1984
Revenue		
Gross Revenue	£3,891,702	£3,889,177
Available for Ordinary Dividend	£2,033,943	£2,189,857
Earnings per Ordinary Share	2.54p	2.73p
Dividend per Ordinary Share	2.50p	2.50p
Assets		
Total Assets less Current Liabilities	£112,813,777	£94,099,928
Net Asset Value per Ordinary Share	138.7p	115.1p

Performance Graph



Chairman's Statement

In my first Statement as Chairman, I am pleased to report that 1985 was a year of excellent progress for the Trust. Net assets attributable to the ordinary shareholders rose from £92,599,928 to £111,313,777 or by 20.2% with the value per share rising from 115.4p to 138.7p. Over the same period the FT-Actuaries All-Share Index rose by 15.2% while, in Sterling terms, adjusting for currency movements, the Standard & Poor's Composite Index rose by 1.3% and the Tokyo New Index rose by 15.5%. The net asset value total return of 22.5%, as calculated by the Association of Investment Trust Companies, compared with the average return of 12% for all Trusts, and 12.6% for those Trusts classified as 'Capital-Growth International'. Your Board is particularly pleased that these results were achieved despite the costs associated with the investment changes referred to below.

Gross revenue was almost unchanged, despite a substantial further movement of investment overseas during the year. However, increased interest charges, administration expenses and corporation tax on unfranked income resulted in a fall in net earnings per share from 2.73p to 2.54p. Your Board has decided to recommend an unchanged final dividend of 1.50p per ordinary share which, together with the interim dividend of 1.00p already paid, makes a total ordinary dividend for the year of 2.50p, the same as that paid in respect of 1984. The full effect on income of the decision to move overseas will be felt in 1986 but your Board intends to maintain this level of dividend for the current year.

In June last year, your Board decided that the timing was right to take the final step in achieving the policy of becoming a predominantly overseas Trust. As you can see from the chart on page 6, over the year our investment in the U.K. has been reduced from 31.1% to 7.6% with investment of the

sale proceeds going mainly into Europe, Japan and the Far East. The investment in Europe, in particular, proved to be very beneficial for the Trust and made an important contribution to the result for the year.

You will recall that in the Chairman's Statement last year, mention was made of the fact that our performance had been held back by the decision to hedge part of the U.S. dollar position back into sterling. The Chairman then commented that this had proved to be premature as the dollar had continued to rise in value during the whole of 1984. I am pleased to say that the position was reversed in 1985 with the dollar starting to weaken against sterling in the first quarter of the year and this weakness continuing thereafter. At the start of the year about 75% of the U.S. dollar portfolio was covered either by forward sales or by U.S. dollar borrowings. Following the very sharp rise in sterling in the first half of 1985 your Board felt that the cover should begin to be reduced and steady progress was made in doing this during the second half. By the year end all the forward sales had been closed off and the dollar borrowings repaid.

We remain optimistic concerning the outlook for the economies and the markets where the Trust is currently invested. The fall in the oil price should lead to improved economic growth throughout most of the developed world. Certain oil producing countries, such as Mexico and Nigeria, will find it even more difficult to service their debts but overall the impact will be positive particularly for the United States, Japan and Germany where your Trust is now mainly invested. In addition with inflation remaining low or even, in some countries, being nearly eliminated, there seems to be scope for further falls in interest rates. Unit labour costs in these countries remain under better control than we have seen since the 1960's and there is thus scope for increasing corporate profits. Furthermore, against this background, stock



Chairman's Statement

Continued

markets should benefit from a willingness on the part of investors to value shares on a higher multiple of earnings. Within the portfolio however, some change of geographic emphasis seems to be justified; in particular the better outlook for corporate profitability in the United States following the fall in the value of the dollar improves the background to that market and additional emphasis has been placed there since the year end. Conversely some markets on the Continent of Europe which performed so well in 1985 might find the outlook for profits growth more difficult as their currencies strengthen. We have accordingly reduced our exposure there since the year end.

A Special Resolution will be proposed at the Annual General Meeting to change the name of the Trust. The policy change to invest predominantly overseas makes this desirable in itself as the name English and New York could be misleading. However, for many years now, Kleinwort Benson have been the Managers of your Trust and the Board unanimously agree that it would be advantageous to identify the Managers in the Trust's name (a practice adopted by many

Trusts in recent years). Accordingly, we recommend that you vote to change the name of your Trust to Kleinwort Overseas Investment Trust plc.

Finally, on behalf of the Board and the Shareholders, I would like to thank Mr. W. H. Conroy for the great contribution that he has made to the success of the Trust over many years. Harry Conroy retired as Chairman in September last year and has decided not to seek re-election at the Annual General Meeting when he retires by rotation. He has been a Director since 1970 and was appointed Chairman in 1980. We will all miss his wide investment experience and wise counsel. We wish him a long and happy retirement.

J. F. H. TROTT

4th March, 1986.

Directors & Management

Directors

J. F. H. Trott B.A. (Chairman)

(Born January 1938) joined the Board in January 1985 and became Chairman in September 1985. He is a Director of Standard Life Assurance Company, The Brunner Investment Trust PLC, The Merchants Trust PLC and Kleinwort, Benson Ltd and is Managing Director of Kleinwort Benson Investment Management Ltd and Chairman of Kleinwort Benson Unit Managers Ltd.

D. A. Acland M.A.

(Born October 1929) joined the Board in July 1968. He is Chairman of Barclays Investment Management Ltd. and Electric & General Investment Co. PLC and a Director of Barclays Bank Trust Co. Ltd. and Blue Circle Industries PLC.

W. H. Conroy B.Sc.

(Born February 1921) joined the Board in March 1970 and was Chairman from 1980 to 1985. Formerly a Director of Kleinwort, Benson Ltd, he is Chairman of The Family Investment Trust plc and Jos Holdings plc, and a Director of A. G. Stanley Holdings plc, National Employers Mutual General Insurance Association Ltd, Pinechurch United States Growth Fund Ltd and Wicat Systems Inc.

S. G. Errington M.A.

(Born June 1929) joined the Board in September 1982. He is a Chairman of Mercantile Credit Co. Ltd., and a Director of Barclays Merchant Bank Ltd. and Barclays Bank UK Ltd.

I. M. L. D. Forde O.B.E., T.D., M.A.

(Born September 1906) joined the Board in March 1963 and was Chairman from 1968 to 1980. He is a Director of Kleinwort, Benson, Lonsdale plc.

P. L. A. Jamieson B.A.

(Born May 1938) joined the Board in September 1982. He is a Director of Robert Fleming Holdings Ltd.

The Managers

Kleinwort Benson Investment Management Limited
Kleinwort Benson Investment Management currently manages assets valued at over £3,000m. This sum is made up of investment trust, unit trust, offshore and pension fund portfolios as well as monies entrusted to KBIM's care by other institutional and private clients.

The activities of KBIM are co-ordinated from the London headquarters of Kleinwort Benson, the parent company, which is the ninth largest bank in the UK and a member of the Accepting Houses Committee. Through

Secretary and Registered Office

P. L. Longcroft, A.C.I.S.
20 Fenchurch Street, London, EC3P 3DB
Telephone: 01-623 8000

Registrars and Transfer Office

Ravensbourne Registration Services Limited,
Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

the Kleinwort Benson Group, KBIM has an unparalleled network of international connections; over one third of the Group's 1,700 employees are based outside the UK. In North America, Kleinwort Benson has offices in New York, Chicago and Los Angeles. In Europe it has banking offices in Brussels and Geneva and has agents in other key countries. In the Pacific Basin it has offices in Sydney, Melbourne, Singapore, Hong Kong and Tokyo, where it was the first British Merchant Bank to open an office in 1970.

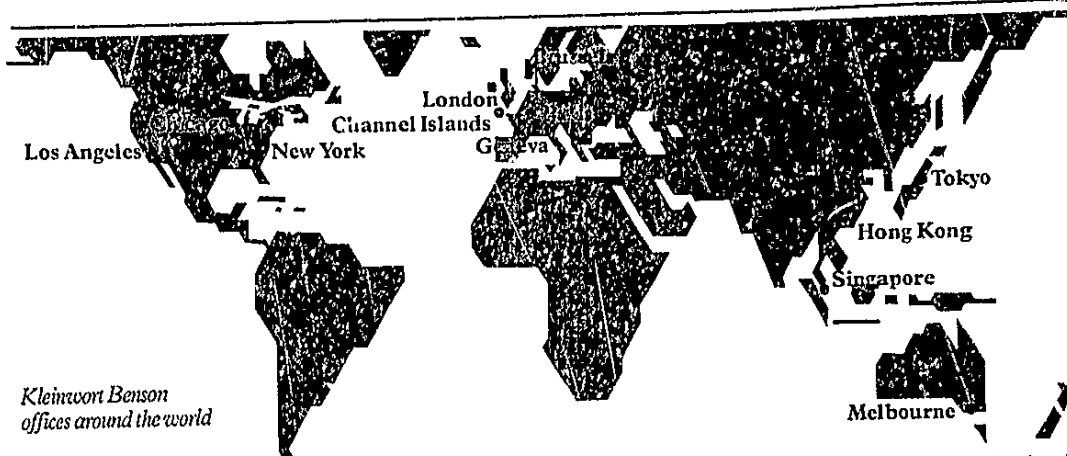
Auditors

Blease, Lloyd & Co, Chartered Accountants,
Pemberton House, 4-6 East Harding Street,
London EC4A 3HY

Bankers

Barclays Bank PLC
Kleinwort, Benson Limited
Bank of Montreal

Investment Managers' Review



*Kleinwort Benson
offices around the world*

Throughout the world, economics continued to expand and stock markets rose in line with this. Wide currency fluctuations have adversely affected the benefits of these rises in the United States and Australia while further

enhancing the results in West Germany, Switzerland and Japan. Your Trust has reduced its holdings in the United Kingdom and made additions to its investments in continental Europe and the Pacific Basin.

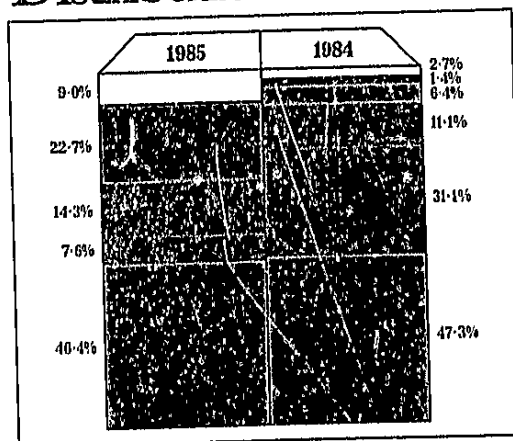
Investment Changes

Valuation 31 December 1984
Purchases
Sales
Appreciation

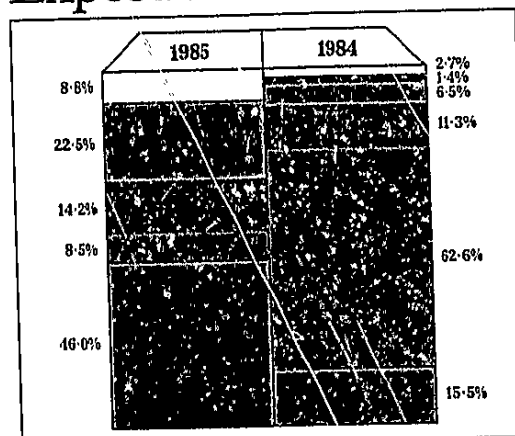
UK Equities	US Equities	Other Equities	Fixed Interest	Total
29,745,737	42,377,405	23,373,487	1,295,553	96,792,182
3,660,651	11,968,928	30,198,885	685,013	46,513,477
(28,883,758)	(10,243,467)	(6,645,712)	(525,312)	(46,298,249)
3,867,063	3,017,176	8,058,716	(231,778)	14,711,177
£8,389,693	£47,120,042	£54,985,376	£1,223,476	£111,718,587

Valuation 31 December 1985

Geographical Distribution



Currency Exposure



N. America
 U.K.
 Japan
 Europe
 Other Countries
 Far East (excluding Japan)

Thirty Largest Equity Holdings

at 31st December 1985

	Valuation 31 Dec. 1985		Valuation 31 Dec. 1984	Net Purchases or (Sales)	Appreciation (Depreciation)
	£000's	%	£000's	£000's	£000's
Robert Fleming Holdings	2,317	2.07	1,766	—	551
Deutsche Bank	2,259	2.02	341	694	1,224
Signet Fund (Bermuda)	2,134	1.91	2,128	—	6
Ito-Yokado	1,925	1.72	1,449	—	476
Kleinwort Benson (Japan) Fund	1,913	1.71	1,849	—	64
Daimler-Benz	1,757	1.57	449	475	833
Siemens	1,709	1.53	519	566	624
Tokio Marine & Fire	1,571	1.41	630	735	206
Daiwa House Industry	1,554	1.39	607	427	520
Nestlé	1,497	1.34	484	449	564
Dai Nippon Printing	1,440	1.29	490	531	419
Hillsdown Holdings	1,414	1.27	763	(526)	1,177
Kleinwort Benson Lonsdale	1,404	1.26	931	—	473
Nationale Nederlanden	1,369	1.23	429	492	448
Winterthur	1,352	1.21	442	465	445
Hitachi	1,347	1.21	738	563	46
International Business Machines	1,340	1.20	1,327	—	13
Moët-Hennessy	1,301	1.16	—	1,010	291
Matsushita Electric Industrial	1,287	1.15	595	745	(53)
Dover	1,256	1.12	1,330	—	(74)
Broken Hill Proprietary	1,234	1.10	565	307	362
Bayer	1,220	1.09	421	476	323
Schlumberger	1,140	1.02	1,480	—	(340)
Casio	1,107	0.99	483	457	167
Fujitsu	1,101	0.99	611	478	12
Fort Howard Paper	1,084	0.97	816	—	268
Fireman's Fund	1,068	0.96	—	957	111
Pinechurch U.S. Growth Fund	1,031	0.92	676	292	63
Dayton-Hudson	1,015	0.91	877	—	138
Snia Bpd.	1,006	0.90	—	598	408

38.62%

Tokyo

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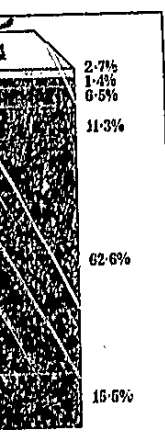
553 96,792,182

013 46,513,477

312 (46,298,249)

778 14,711,177

476 £111,718,587



(excluding Japan)

Investment Managers' Review



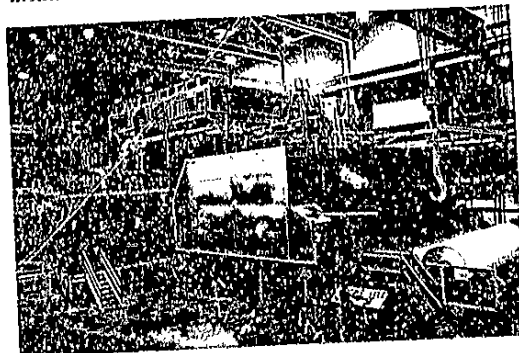
U.S.A.

1985 was a much more successful year for the economy of the United States than would appear from the broad statistics that growth of Gross National Product slowed to 2.3% from 6.9% in 1984 and corporate profits fell by 5%. For, as the weakness occurred in the first half of the year, economic news in the second half was most encouraging. This continued economic growth however has been accompanied by enormous budget and balance of payments deficits financed by equally large government funding which unless corrected could lead to an underlying weakness in the economy. The dollar which had started the year at an abnormally high level of \$1 = DM 3.154 and £1 = \$1.159 receded steadily during the year ending at \$1 = DM 2.448 and £1 = \$1.446. This will be of considerable assistance to American industry both in reducing imports and enabling manufacturers to increase profit margins as the prices of imported goods rise.

The stock market had a good year with the Dow Jones rising by 27.6%. For investors in the United Kingdom this rise was virtually eliminated by the fall in the currency. As in the previous year the market was led by major corporations and a remarkable feature was the takeover bids for some of the largest companies in America. Your trust increased its investments in the United States when its U.K. holdings were reduced. Emphasis was given to companies benefiting from lowering interest rates and especially to insurance.

Fort Howard Paper—

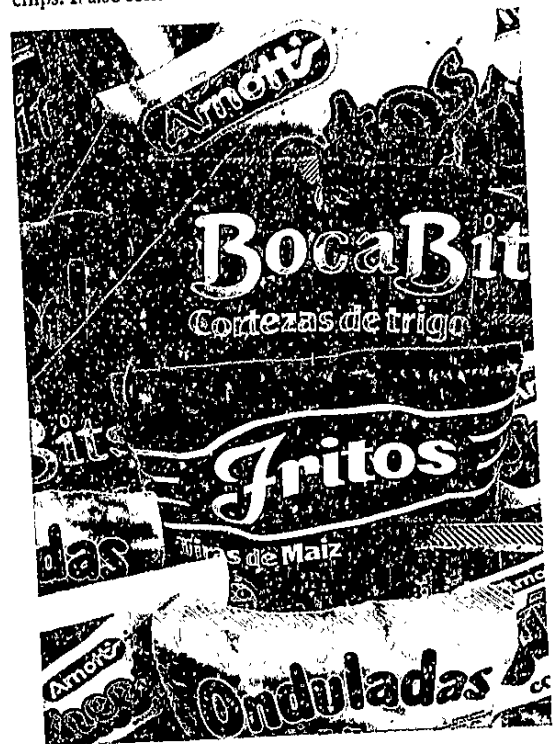
is a leading converter of waste paper into paper napkins, towels and tissues for sale to commercial, industrial and institutional markets



Fort Howard's No. 10 Paper Machine.

Pepsico—

besides being the second largest soft drinks producer is the leading snack food producer, through Frito-Lay chips. It also controls the Pizza Hut chain of restaurants.



A selection of Pepsico's Frito-Lay products.

U.S.A. Listed Equity Holdings

	Value (£)	Principal Activities
International Business Machines	1,339,903	The world's largest computer manufacturer
Dover	1,256,483	Diversified lift manufacturer
Schlumberger	1,139,782	The world leader in oil well logging
Fort Howard Paper	1,084,371	Paper tissues and disposable towels
Fireman's Fund	1,067,600	Property and casualty insurance
Pinechurch U.S. Growth Fund	1,031,120	Offshore fund investing in small U.S. companies
Dayton-Hudson	1,015,214	Department store chain
Pepsico	1,002,766	Soft drinks and snack foods
Abbott Laboratories	945,712	Large, diversified healthcare company
Pacificorp	929,288	Electric utility serving Pacific Northwest
Exxon	914,938	Largest oil company in the world
Rouse	907,676	Real estate development
Coca-Cola	876,556	Soft drinks and Columbia Pictures
McDonalds	836,359	Chain of fast food restaurants
General Electric Co. of America	804,979	The largest U.S. electrical manufacturer
Atlantic Richfield	793,568	Domestic integrated oil company
Merck	757,953	Major pharmaceutical company
Household International	730,463	Consumer finance
Potomac Electric Power	670,470	Electricity for the District of Columbia
Pacific Telesis	643,759	Telephone service in California and Nevada
Wicat Systems	642,826	Micro computers and educational software
Florida Progress	637,967	Electric utility serving Florida
W.W. Grainger	636,929	The leading distributor of electric motors
Allied Signal	625,596	Manufacturing, chemicals and oils
R.C.A. Group	619,813	Electronics and broadcasting
Rockwell International	618,084	Military aircraft, space systems and rocket engines
Philip Morris	611,169	Cigarettes and soft drinks
T.R.W.	608,575	Automotive components and aerospace
Kellogg	600,795	Convenience foods and cereals
TECO Energy	598,634	Electric utility in West Florida
Summit Health	591,286	Hospital and nursing facilities
Bell Atlantic	589,212	Telephone service on East Coast
Sysco	588,001	Food distribution and service systems
Humana	568,257	Acute-care hospital systems
Calfed	567,946	Savings and loan company in California
Ohio Edison	566,217	Electric utility in Ohio and Pennsylvania
Pep Boys	560,166	Retail chain for auto parts
Instinet	529,046	Computerised share dealing system
Armstrong World Industries	526,107	Building products and interior furnishings
Xidex	522,994	Microfilm and computer discs
Bowater	510,892	Largest newsprint manufacturer in U.S.
Rockefeller Center	496,629	Real estate in Manhattan
Parker-Hannifin	479,253	Fluid power systems and components
Southern New England Telephone	466,805	Telephone service in Connecticut
InterNorth	466,805	Natural gas distribution
Dun & Bradstreet	463,347	Business and financial information services
Southwestern Bell	461,272	Telephone service in Texas and South West
Nalco Chemical	448,133	Specialty chemicals and water treatment
American Stores	447,787	Supermarket and drug store chain
General Motors	438,019	World's largest automobile manufacturer
American Can	414,938	Packaging, mail order and financial services
General Re	412,863	Reinsurance; property and casualty insurance
Whitney Holdings	411,480	Leading bank in New Orleans
Murphy Oil	408,022	International integrated oil company

Continued on Page 11

Investment Managers' Review

Continued



Japan

The Japanese economy has continued to defy the pessimists and despite the yen rising from \$1=Y 251 to \$1=Y 200 over the year, Gross National Product increased by 4.3% and there was a trade surplus of \$56 billion. Domestically, Japanese manufacturers have continued to increase productivity while the policy of large Japanese corporations to build up manufacturing capacity abroad has now proved very rewarding.

It has been an unusual year on the stock market. At mid year the Tokyo Dow Jones had risen by 11.6%, but this improvement was almost entirely due to price increases in the financial sector where banks in particular rose to unprecedented price/earnings ratios. The industrial sector showed little improvement while the major international companies tended to fall. In the second half of the year there was some reversal of these trends: the Dow showed an increase of 13.3% over the year.

Daiwa House—

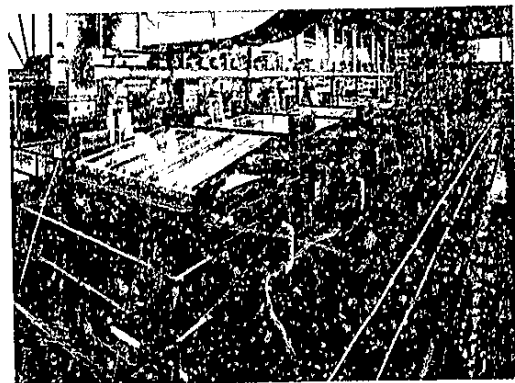
is Japan's largest manufacturer of prefabricated houses. It is based in the expanding Kansai district.



The new Zephyr home from Daiwa House.

Dai Nippon Printing—

is the industry leader with sales of over \$3 billion covering books and periodicals, packaging, commercial printing and special electronic products.



Dai Nippon's latest powerful gravure rotary press.

Ec
JAP

Ito Y
Klein
Tokio
Daiwa
Dai N
Hitac
Mats
Casio
Fujit
Cano
Eisai
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Cabi
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Equity Holdings

JAPAN	Value (£)	Principal Activities
Ito Yokado	1,924,843	Japan's second largest store chain
Kleinwort Benson (Japan) Fund	1,913,485	Offshore fund investing in Japan
Tokio Marine & Fire	1,571,350	Largest non-life insurance company
Daiwa House Industry	1,554,082	Prefabricated houses
Dai Nippon Printing	1,440,116	Japan's largest printing firm
Hitachi	1,346,871	Largest electrical company in Japan
Matsushita Electric Industrial	1,286,808	World's largest electrical appliance manufacturer
Casio Computer	1,106,506	Manufactures calculators, watches etc.
Fujitsu	1,101,036	The leading computer manufacturer
Canon	897,569	Office and optical equipment manufacturer
Eisai	455,864	Major pharmaceutical manufacturer
Mitsui Real Estate	438,727	Real estate development
Seino Transportation	404,061	Largest trucking service in Japan
Cabin	372,980	Retail chain for teenage fashions
Life	200,207	Finance and debt factoring company
<u>£16,014,505</u>		= 14.34% of Total Invested Funds

CANADA

Lonvest	721,373	Life insurance
Royal Bank of Canada	685,372	Largest of Canada's chartered banks
Canadian Pacific Enterprises	441,657	Forest products, oil and mining
Bell Canada Enterprises	416,914	Telephone service
Claremount Energy Partnership 1983*	400,100	Exploration for oil and gas
Claremount Energy Partnership 1984*	400,000	Exploration for oil and gas
MacMillan Bloedel	367,651	Forest products on West Coast
Bank of British Columbia	171,188	Operates exclusively in British Columbia and Alberta
<u>£3,604,255</u>		= 3.23% of Total Invested Funds

* Partnership interest of subsidiary company (note 6 page 24)

U.S.A.

Continued

Optical Radiation	404,564	Interocular lenses for cataract treatment
MCI Communications	389,004	Microwave communication network
Illinois Tool Works	387,275	Fasteners, tools and auto parts
Avery International	382,521	Self adhesive labels and papers
Block Drug	358,748	Dental care products including Sensodyne
Revco Drug Stores	357,106	World's largest drugstore chain
Chief Automotive Systems	354,426	Collision repair systems for autos
Foxmeyer	352,013	Wholesale pharmaceutical distributor
Halliburton	342,324	Large oil service organisation
Baxter Travenol	324,170	Manufacture and distribution of hospital supplies
Southland Financial	290,456	Property development outside Dallas
5 smaller investments	311,710	
<u>£41,139,142</u>		= 36.82% of Total Invested Funds

Investment Managers' Review

Continued



Europe

Industrial production continued to rise in Western Europe and the Gross Domestic Product of the European Economic Community rose by 3.5% to \$2.26 trillion approximately two thirds of that of the U.S.A. Most currencies appreciated against the US dollar, particularly those of the "hard currency block" of West Germany, Switzerland and Holland. Exports from Europe to the United States which had done so much to start the economic revival were little affected as the manufacturers of high quality products, having established markets abroad, have been able to maintain their positions.

Financial markets had an explosive year, the stock market indices in Frankfurt rising by 71%, Zurich 52% and Milan 98%. This resulted from a combination of good corporate earnings, greater interest in the stock market by local residents and some aggressive buying from the United States. In Italy the newly legalised unit trust movement raised some Lire 18 trillion (£8 billion) which gave an enormous stimulus to the Milan Bourse.

During the first six months of 1985 your Trust reduced its holding in the United Kingdom from 31.1% to 7.0% and increased its position in continental Europe from 6.4% to 16.0%. At the year end the amount invested in continental Europe was 22.7%. New investments were concentrated in domestically orientated companies such as banks and stores or high quality manufacturers able to maintain market positions in spite of currency appreciation.

Siemens—

Siemens's scanner being used in the radiology department at the University of Tokyo. Siemens is a world leader in advanced electrical equipment for hospitals.



Moët-Hennessy—

samples of Moët et Chandon high quality champagne. Other products include Hennessy brandy, Roc cosmetics and Christian Dior perfumes.



Nestlé—

Nestlé's wide product range includes Crosse & Blackwell, Carnation Milk, Maggi soups and Findus frozen foods besides chocolates and Nescafé.



European Listed Equity Holdings

	Value (£)	Principal Activities
BELGIUM	£694,820 =	0.62% of Total Invested Funds
E.B.E.S.	694,820	Electric utility for Brussels and N. Belgium
FRANCE	£2,901,054 =	2.60% of Total Invested Funds
Moët Hennessy	1,301,165	Champagne, brandy and Dior perfumes
Compagnie du Midi	858,603	Financial holding company
Thomson-CSF	741,286	Defence and electronics
GERMANY	£8,120,828 =	7.27% of Total Invested Funds
Deutsche Bank	2,258,657	Largest German commercial bank
Daimler-Benz	1,757,112	Europe's second largest car manufacturer
Siemens	1,708,523	World's sixth largest electrical manufacturer
Bayer	1,220,373	International chemical and pharmaceutical company
Beiersdorf	639,566	Pharmaceuticals and toiletries
Veba	418,797	Electric utility and fuel distribution
German Smaller Companies Investment Trust	11,800	Specialises in investment in smaller companies
ITALY	£2,417,451 =	2.21% of Total Invested Funds
Snia-Bpd	1,605,796	Textiles, aerospace and defence
Olivetti	654,261	Office equipment and communications
Rinascente	649,335	Department store chain
Banco Popolare Di Bergamo	97,121	Banking and unit trusts
Banco Popolare Di Cremona	60,938	Banking and unit trusts
NETHERLANDS	£5,467,161 =	4.90% of Total Invested Funds
Nationale Nederlanden	1,369,313	Composite insurance company
Elsevier	931,559	Publishing and information technology
Algemene Bank Nederlands	902,844	Largest commercial bank in the Netherlands
Oce-Van Der Grinten	798,515	Manufacturer of photocopying equipment
Philips Lamps	769,674	Consumer electronics manufacturer
Gist-Broccades	695,256	Biotechnology
NORWAY	£762,983 =	0.68% of Total Invested Funds
Norsk Data	593,711	Mini computers and software
Scanvest-Ring	169,272	Data processing and office automation
SWEDEN	£483,579 =	0.43% of Total Invested Funds
Pharmacia	483,579	Pharmaceuticals and health care
SWITZERLAND	£4,485,738 =	4.02% of Total Invested Funds
Nestlé	1,497,483	International food company
Winterthur	1,352,349	Composite insurance company
Schweiz Bankverein	964,765	Major Swiss bank
Ciba-Geigy	671,141	Pharmaceuticals and agrichemicals
UNITED KINGDOM	£5,153,830 =	4.61% of Total Invested Funds
Hillsdown Holdings	1,414,000	Food production, processing and distribution
Kleinwort Benson Lonsdale	1,403,850	Leading merchant bank
Consolidated Gold Fields	702,525	Mining and building materials
Standard Chartered Bank	614,880	International Bank
Shell Transport & Trading	497,250	Represents 40% of Royal Dutch/Shell Group
Rio Tinto-Zinc	362,600	Mining and diversified industrial group
Cable and Wireless	158,725	Supplier of telecommunications services
Total European Listed Equity Holdings	£30,537,444 =	27.34% of Total Invested Funds
Listed United Kingdom fixed interest investments	£10,424 =	0.01% of Total Invested Funds

Investment Managers' Review

Continued



Other Countries Australia

Currency weakness was a major factor in investment considerations in 1985. The greater part of the fall occurred in the first quarter; the increase in our commitment was made around mid-year. Although commodity prices have continued to remain depressed, the stock market was firm reflecting a high degree of corporate activity. Further progress for the market seems dependent on a sustained recovery in metal prices and an improved outlook for the economy.



An ingot being lifted out of a cooling pit at the Kooragang steelworks of Broken Hill Proprietary, Australia's largest industrial company.

Hong Kong

The return of business confidence for the future growth of the economy continued to fuel a recovery in property values. Accordingly uncertainty with regard to the health of the banking industry began to abate but the continuing problems of the shipping industry and some of the small electronics companies have tempered enthusiasm. The rise of the stock market over the year was offset, however, by the weakness of the currency.

Malaysia

The fall in the prices of rubber, oil and palm oil and the collapse of the tin price in the wake of the ITC debacle had their inevitable effect on stock market sentiment. Sime Derby represents an exposure to the longer term growth attractions which we feel remain intact.

Republic of Korea

The Korean stock market was closed to foreigners until 1985 when certain companies were permitted to issue convertible debentures outside the Republic. The first such issue was made by Samsung Electronics, their leading electronics manufacturer. It has a remarkable growth record with sales rising from 234 billion Won in 1980 to 1.3 trillion Won in 1984. Sales in 1985 were approximately US\$2 billion. Its main products are video and audio equipment and microwave ovens.



Samsung's new mass produced 256K D-RAM chips.

Singapore

The period of above average growth enjoyed by Singapore in the 1970's and early 1980's came to an abrupt halt in 1985 with a year of downturn. This has resulted in problems in the financial area which led to a sharp decline in the stock market. The Trust's position in DBS represents an exposure to one of the leading banks which should be a prime beneficiary of any recovery.

Equi

AUSTRA

Broken Hill
Boral
Australia &
G.J. Coles
A.P.M.
Queensland
Elders Res

HONG

Sun Hung
Swire Pac
Hutchison
Hong Ko

REPU

Samsun

MAI

Sime D

SIN

Deve

Equity Holdings

AUSTRALIA

	Value (£)	Principal Activities
Broken Hill Proprietary	1,234,374	Steel, oil and gas
Boral	828,104	Building and construction materials
Australia & New Zealand Banking Group	826,688	Australia's largest commercial bank
G.J. Coles	802,152	Leading retail chain and supermarkets
A.P.M.	677,110	Paper manufacturer
Queensland Coal Trust	670,033	Leading high grade coal company
Elders Resources	393,821	Oil and gold exploration
	<u>£5,432,282</u>	= 4.86% of Total Invested Funds

HONG KONG

Sun Hung Kai Properties	850,913	Residential property developer
Swire Pacific	830,970	Shipping, property and Cathay Pacific Airways
Hutchison Whampoa	731,253	A leading Hong Kong trading company
Hong Kong & Shanghai Bank	682,503	Hong Kong's largest bank
	<u>£3,095,639</u>	= 2.77% of Total Invested Funds

REPUBLIC OF KOREA

Samsung	342,324	Largest electrical manufacturer
	<u>£342,324</u>	= 0.31% of Total Invested Funds

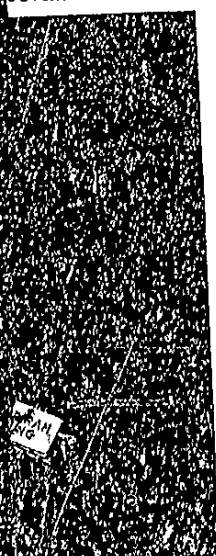
MALAYSIA

Sime Darby	493,827	Plantations and trading
	<u>£493,827</u>	= 0.44% of Total Invested Funds

SINGAPORE

Development Bank Singapore	618,930	Largest bank in Singapore
	<u>£618,930</u>	= 0.55% of Total Invested Funds

to foreigners until
permitted to issue
public. The first
electronics, their
has a remarkable
234 billion Won in
s in 1985 were
products are video
ovens.



D-RAM chips.

with enjoyed by
1980's came to an
downturn. This has
cial area which led to a
. The Trust's position in
one of the leading banks
ary of any recovery.

Investment Managers' Review

Continued



Unlisted Investments

1985 was a very rewarding year for your Trust's unlisted investments. Bluebird Toys, in which it was one of the original investors, obtained a quotation on the USM. This has been a highly successful company, its sales rising from £1 million in 1981, its first year of operation, to £5 million in 1984. The book cost of our holding, valued at £491,000, was £54,800. Hillsdown Holdings obtained a quotation on the London Stock Exchange in February, so is included in our list of quoted European investment and not in the list of investments on the opposite page. Its annual turnover now exceeds £1 billion: products include Buxted Chicken and Daylay Eggs.

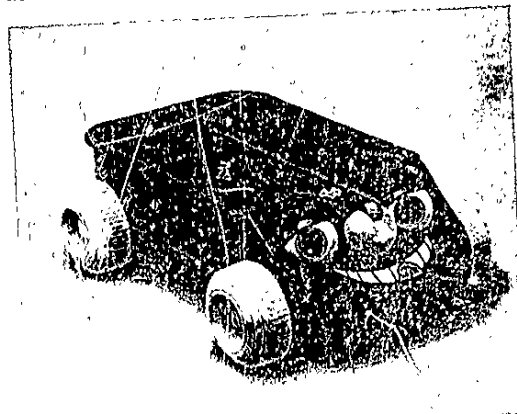


An artist's impression of Robert Fleming's new offices in Copthall Avenue, London.



A sample of Purex's range of products.

In the United States Purex has made major changes. This holding was acquired following a "management buy out" in 1982. Since then there has been a considerable increase in profits. Seven divisions including consumer products, Brillo & Pacific Airmotive divisions have been sold and our Notes repaid. It is anticipated that the remainder of the company will be sold later this year. Chomerics in which we held a convertible debenture was taken over by W.R. Grace.



Bluebird's new toy, "Winky Wagon".

Holdings

U.K.

Robert Fleming
Bluebird Toys
Sharp Unquoted
Universal Holdings
6 smaller investments

U.S.A.

Signet Fund
New Enterprise
Convex Corporation
ABS Venture
Tri-Tech*
Transatlantic
Ropex*
Petroleum
Foodmaker
Purex
O'Connor
Harrow*
Microelectronics
Maxtor
Southwest
L.R.E.
9 smaller investments

*including
Total UK

Holdings

U.K.	Value (£)	Principal Activities
Robert Fleming Holdings	2,316,800	Merchant bank
Bluebird Toys	490,802	Manufactures children's toys
Sharp Unquoted Midland Inv. Trust	209,175	Specialises in small manufacturing companies
Universal Health Care	207,853	Hospital beds and medical equipment
6 smaller investments*	109,280	
	<u>£3,333,910</u>	= 2.98% of Total Invested Funds

U.S.A.

Signet Fund (Bermuda)	2,133,887	Offshore fund investing mainly in USA
New Enterprise Associates II & III	884,727	Venture fund based in San Francisco and Baltimore
Convex Computer	778,008	Microcomputers for geophysical applications
ABS Ventures I & II	526,285	Venture capital partnerships sponsored by Alex Brown
Tri-Tech*	432,324	Manufacture of electric motors
Transatlantic Ventures	387,386	Venture fund sponsored by Hambrecht & Quist
Ropex*	368,679	Manufactures rotary and centrifugal pumps
Petroleum Fermentations	245,560	Speciality chemical manufacturer
Foodmaker*	213,820	Fast food restaurants and franchises
Purex	212,586	Manufactures industrial and domestic cleaning products
O'Connor (J.W.) Associates	138,313	Limited partnership investing in property
Harrow*	121,396	Manufactures furniture and hardware products
Microelectronic	112,339	Computer aided design for integrated circuits
Maxtor	109,552	Winchester disc drives
Southwestern Enterprises	98,340	Venture capital partnership based in Dallas
L.R.E.	86,971	Manufactures relays, principally for aircraft
9 smaller investments*	245,732	
	<u>£7,095,905</u>	= 6.35% of Total Invested Funds

*including fixed interest

Total UK and USA unlisted fixed interest included above amounted to £98,047 and £1,115,005 respectively.

Distribution of Invested Funds

at 31st December 1985

Valuation—£111,718,587 (1984—£96,792,182)

EQUITIES (including convertibles)	Percentage of Valuation				1984 Total
	U.K.	North America	Other countries	1985 Total	
CAPITAL GOODS					
Building Materials	—	—	0.7	0.7	0.9
Contracting Construction	—	—	1.4	1.4	0.6
Electricals & Electronics	—	5.2	1.0	13.2	13.4
Mechanical Engineering	—	3.0	—	3.0	5.5
Motors	—	1.2	1.6	2.8	2.1
	—	9.4	11.7	21.1	22.5
CONSUMER GROUP					
Breweries and Distillers	—	—	1.2	1.2	2.8
Leisure	—	0.8	0.8	1.6	1.6
Food Manufacturing	1.3	2.2	1.3	4.8	3.8
Food Retailing	—	0.9	—	0.9	2.2
Health & Household Products	—	2.7	2.0	4.7	3.8
Newspaper and Publishing	—	—	2.1	2.1	1.5
Packaging and Paper	—	2.4	0.6	3.0	3.6
Stores	—	1.2	2.8	4.0	4.8
Textiles	—	—	—	—	1.5
Tobacco	—	0.6	—	0.6	0.7
Other Consumers	0.4	1.0	—	1.4	1.0
	1.7	11.8	10.8	24.3	27.3
OTHER GROUPS					
Oil and Gas	0.4	3.0	—	3.4	6.7
Oil Servicing	—	1.3	—	1.3	1.9
Chemicals	—	0.6	1.7	2.3	3.1
Office Equipment	—	0.5	0.8	1.3	0.2
Shipping and Transport	—	—	0.4	0.4	0.4
Utilities	—	3.5	0.6	4.1	4.1
Telephone Networks	0.1	2.7	—	2.8	1.2
Miscellaneous	0.2	2.0	3.8	6.0	4.8
	0.7	13.6	7.3	21.6	22.4
FINANCIAL GROUP					
Banks	—	1.2	5.7	6.9	3.9
Discount Houses	—	—	—	—	0.3
Hire Purchase	—	0.5	—	0.5	—
Insurance—					
Life	—	—	—	—	2.7
Composite	—	2.2	4.4	6.6	1.5
Merchant Banks	3.3	—	—	3.3	3.0
Property	—	1.5	1.2	2.7	2.5
Miscellaneous Financial	0.6	2.4	1.0	4.0	3.5
Investment Trusts and Offshore					
Funds	0.2	2.8	1.8	4.8	6.1
Mining and Mining Finance	1.0	—	2.1	3.1	2.3
Overseas Traders	—	—	—	—	0.7
	5.1	10.6	16.2	31.9	26.5
TOTAL EQUITIES	7.5	45.4	46.0	98.9	98.7
FIXED INTEREST					
Government Securities	—	—	—	—	—
Others	0.1	1.0	—	1.1	1.3
TOTALS	7.6	46.4	46.0	100.0	100.0

The above groupings are based on the FT—Actuaries Share Indices

Historical Record

at 31st December 1985

Revenue and Capital

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
† Earnings and Ordinary Dividend										
Gross Revenue (£000's)	1,733	2,023	2,479	2,787	2,975	3,173	3,599	4,425	3,889	3,892
# Earnings per share	1.16p	1.34p	1.61p	2.09p	2.15p	2.14p	2.25p	2.52p	2.73p	2.54p
# Paid net per share	1.07p	1.30p	1.50p	2.00p	2.02p	2.07p	2.18p	2.30p	2.50p	2.50p
# Tax Credit per share	0.58p	0.67p	0.74p	0.85p	0.87p	0.89p	0.93p	0.99p	1.07p	1.07p
# Paid gross per share	1.65p	1.97p	2.24p	2.85p	2.89p	2.96p	3.11p	3.29p	3.57p	3.57p
†† Total Assets (£000's)	36,267	41,069	41,444	40,269	49,831	54,288	67,658	85,126	94,100	112,814
†† Assets attributable to Ordinary Capital (£000s)	31,826	37,846	39,688	38,578	48,197	52,739	66,158	83,626	92,600	111,314
#†† Net Asset Value per share	42.7p	48.3p	49.9p	48.4p	60.3p	65.8p	82.5p	104.2p	115.4p	138.7p

Geographical Disposition of Invested Funds

	Percentage of Valuation									
United Kingdom	53.8	71.7	73.2	73.5	62.1	53.1	40.1	33.5	31.1	7.6
North America	40.9	24.6	22.1	19.8	26.7	32.5	50.0	50.8	47.3	46.4
Japan	0.9	1.0	2.8	2.0	3.9	6.9	4.5	7.3	11.1	14.3
Other Far East	0.6	0.6	0.5	0.4	2.9	2.2	1.3	2.7	2.7	9.0
Continental Europe	2.6	1.2	0.2	2.3	2.4	3.5	2.4	3.7	6.4	22.7
Other Countries	1.2	0.9	1.2	2.0	2.0	1.8	1.7	2.0	1.4	—
	100	100	100	100	100	100	100	100	100	100

Adjusted for 1 for 1 capitalisation issue in 1983.

†† Including the investment dollar premium (100 per cent.) where applicable.

† 1979 includes non-recurring income of 0.20p net per ordinary share paid out as a special dividend to ordinary shareholders.

Revenue Account

for the year ended 31st December 1985

	Notes	£	£	1984 (£)
Income from Fixed Asset Investments				
Franked income from—				
Listed Investments		1,077,801		1,545,103
Unlisted Investments		136,434		146,739
			1,214,235	1,691,842
Unfranked income from—				
Listed Investments		2,213,322		1,871,135
Unlisted Investments		175,112		171,123
			2,388,434	2,042,258
			3,602,669	3,734,100
Other Income				
Deposit Interest		190,702		97,082
Commissions		98,331		57,995
			289,033	155,077
			3,891,702	3,889,177
Gross Revenue				
Expenses of Administration	1	400,161		265,279
Interest Payable	2	306,008		240,832
			706,169	506,111
			3,185,533	3,383,066
Revenue before Taxation			1,134,090	1,175,709
Taxation	3			
			2,051,443	2,207,357
			17,500	17,500
Dividend on Preference Stock	10			
			2,033,943	2,189,857
Revenue earned for Ordinary Shares	4			
Dividends on Ordinary Shares				
Interim 1·00p paid 1st October 1985		802,302		802,302
Final 1·50p proposed		1,203,454		1,203,454
(1984—total 2·50p)			2,005,756	2,005,756
			28,187	184,101
Revenue retained			1,871,202	1,687,101
Revenue Reserve balance brought forward	12			
			£1,899,389	£1,871,202
Balance carried forward				
			2·54p	2·73p
Earnings per Ordinary Share	4			

The Notes on pages 22 to 25 form part of this Account

Balance Sheet

at 31st December 1985

	Notes	£	£	1984 (£)
Fixed Assets				
Investments	5 & 6		111,718,587	95,792,182
Current Assets				
Debtors	8	2,383,138		1,893,204
Cash at bank and in hand	8	919,241		5,868
		<u>3,302,379</u>		<u>1,899,072</u>
Creditors				
Amounts falling due within one year	9	2,207,189		4,591,326
			1,095,190	(2,692,254)
Net Current Assets (Liabilities)			<u>112,813,777</u>	<u>94,099,928</u>
Total Assets less Current Liabilities				
Creditors				
Amounts falling due after more than one year: Debenture Stock	9		1,000,000	1,000,000
			<u>£111,813,777</u>	<u>£93,099,928</u>
Capital and Reserves				
Called up share capital	10		20,057,562	20,057,562
Ordinary	10		500,000	500,000
Preference				
Capital Reserves	11	50,781,754		27,021,796
Realised appreciation on investments	11	38,575,072		43,649,368
Unrealised appreciation on investments			89,356,826	70,671,164
			1,899,389	1,871,202
Revenue reserve	12		<u>£111,813,777</u>	<u>£93,099,928</u>

John L. Forde

F. H. TROTT

I. M. L. D. FORDE

} Directors

The Notes on pages 22 to 25 form part of this Balance Sheet

Statement of Accounting Policies

Statement of Accounting Policies

- (i) Revenue—Dividends and interest on investments are accounted for on a due date basis and are grossed up at the appropriate rate of tax credit. Deposit interest receivable and loan interest payable are accounted for on an accrual basis.
- (ii) Net surpluses over book cost arising on realisations of investments and foreign currency are credited to Capital Reserve. Any losses arising on realisations are debited to this reserve, (Note 11).
- (iii) Investments listed in Great Britain are valued at middle market prices. Those listed abroad are valued at closing or middle market prices as available. Unlisted investments are valued by the Directors. A reserve is established to reflect differences in value over book cost.
- (iv) Advance corporation tax attributable to dividends proposed at the balance sheet date, less the tax credit arising from estimated franked investment income receivable up to the date of payment of the tax, is treated as a current liability. Such advance corporation tax as is regarded as recoverable in the foreseeable future is treated as an asset.

Notes on the Accounts

for the year ended 31st December 1985

1 Expenses of Administration		1985 (£)	1984 (£)
	Management fee and general expenses	306,898	198,134
	Banks' safekeeping and other charges	66,838	43,666
	Directors' fees	22,000	19,404
	Auditors' remuneration	3,850	3,500
	Trustees' fees	575	575
		<u>£400,161</u>	<u>£265,279</u>

Fees were paid to Directors at the rate of £3,500 each per annum, plus an additional £1,000 to the Chairman.

2 Interest Payable		1985 (£)	1984 (£)
	On Debenture Stock—		
	Repayable within five years	55,000	55,000
	On bank borrowing repayable within five years—		
	Foreign currency borrowing	176,985	154,583
	Sterling borrowing	74,023	31,249
		<u>£306,008</u>	<u>£240,832</u>

Notes on the Accounts

for the year ended 31st December 1985

Continued

3 Taxation

The taxation in respect of the revenue for the year is arrived at as follows—	1985 (£)	1984 (£)
Corporation tax	814,074	782,327
Less: Relief for overseas taxation	(293,473)	(242,787)
Group relief attributable to subsidiary	(45,994)	(89,725)
	<u>474,607</u>	<u>449,815</u>
Overseas taxation	292,473	242,787
	<u>767,080</u>	<u>692,602</u>
Tax suffered on franked investment income	364,270	507,552
	<u>1,132,350</u>	<u>1,200,154</u>
Taxation adjustments for previous year	1,740	(24,445)
Charge to Revenue Account	<u>£1,134,090</u>	<u>£1,175,709</u>

Corporation tax has been provided at the rate of 41.25 per cent. for the year (1984—46.25 per cent.). Advance corporation tax on the proposed final dividend, calculated in accordance with the statement of accounting policies, is included in creditors. In the opinion of the Directors such tax, estimated to be £460,000, will be fully recoverable against the Company's corporation tax liability for 1986 or earlier years and it is, therefore, also included in current assets.

The corporation tax charge has been reduced by £45,994 (1984—£89,725) in respect of the estimated scientific research expenditure of £111,500 (1984—£194,000) attributable to the subsidiary for the year ended 31st December 1985.

Dividends payable by the Company carry a tax credit at the rate attributable to the relevant cash distributions at the time of payment.

4 Earnings

The calculation of earnings per share is based on net earnings of £2,033,943 (1984—£2,189,857) and 80,230,248 Ordinary shares of 25p in issue.

5 Investments

Investments listed in Great Britain have been valued at middle market prices. Those listed abroad have been valued at closing or middle market prices, and unlisted investments are as valued by the Directors based upon latest dealing prices, stockbrokers valuations, net asset values, earnings and other known accounting information. The valuations of foreign investments and foreign currency balances have been translated into sterling at actual rates where currency has been sold forward and otherwise at the rates of exchange ruling on 31st December 1985.

	1985 (£)	1984 (£)
Listed at market valuation on recognised Stock Exchanges		
Great Britain	5,164,254	26,382,165
Abroad	95,324,418	58,505,833
	<u>100,488,672</u>	<u>84,887,998</u>
Unlisted at Directors' valuation		
Great Britain	3,333,910	3,686,597
Abroad	6,957,592	7,644,924
Subsidiaries	938,413	572,663
	<u>11,229,915</u>	<u>11,904,184</u>
	<u>£111,718,587</u>	<u>£96,792,182</u>
Market value of investments held at 1st January 1985	96,792,182	92,880,771
Unrealised net appreciation at 1st January 1985	(43,619,368)	(38,855,724)
Retranslation of foreign currency borrowing	(77,113)	(505,819)
Cost of investments held at 1st January 1985	53,065,701	53,519,228
Additions at cost	46,513,477	24,054,454
Disposals at cost	(26,435,663)	(24,507,981)
Cost of investments held at 31st December 1985	73,143,515	53,065,701
Unrealised net appreciation at 31st December 1985	38,575,072	43,649,368
Retranslation of foreign currency borrowing	—	77,113
Market value of investments held at 31st December 1985	<u>£111,718,587</u>	<u>£96,792,182</u>

Notes on the Accounts

for the year ended 31st December 1985

Continued

6 Subsidiaries ENY Oil & Gas Limited is a wholly owned subsidiary registered in England with an issued share capital of £100 and an interest free loan of £753,728 (1984—£400,000) from the Company. ENY Oil & Gas Limited is a limited partner with a 17.9% share in Claremount Energy Partnership 1983 and a 22.0% share in Claremount Energy Partnership 1984 both of which are engaged in exploration for oil and gas in the U.S.A. and Canada. To coincide with the accounts of the Partnership the accounts of the subsidiary are drawn up to the 31st December. At 31st December 1984 the subsidiary's accounts showed net assets of £5,532 (31st March 1984—£125.) Sussex Investments Inc is a wholly owned subsidiary registered in the State of Delaware, USA with an issued share capital of US\$ 100. It is a limited Partner in O'Connor Associates L.P. which is engaged in property development in the USA. In the opinion of the directors it would be of no real value to the members of the company to produce consolidated accounts in view of the insignificant amounts involved and also of the different nature of the operations of the company and its subsidiaries.

7 Contingent Liabilities At 31st December 1985 there were contingent liabilities of £1,213,775 (1984—£2,268,221) in respect of underwriting commitments and calls on partly paid investments.

8 Current Assets	Debtors—	1985 (£)	1984 (£)
	Sales for future settlement	57,259	1,517,308
	Debtors	1,359,921	72,896
	Advance corporation tax recoverable*	460,000	303,000
	Taxation recoverable	505,958	—
		<u>£2,383,138</u>	<u>£1,893,204</u>
	Foreign currency balances—		
	Current account	2,502	5,868
	Sterling balances with bankers		
	Current Account	158,739	—
	Deposit Account	758,000	—
		<u>£919,241</u>	<u>£5,868</u>

*Including an estimated sum of £297,000 (1984—£303,000) recoverable after one year.

9 Creditors	Amounts falling due within one year—	1985 (£)	1984 (£)
	Sterling Bank overdraft	6,883	1,770,674
	Foreign currency borrowing	—	1,233,822
	Purchases for future settlement	54,660	—
	Taxation	789,916	324,412
	Creditors	133,235	38,923
	Interest on Debenture Stock (accrued)	20,041	20,041
	Dividend on Ordinary Shares (proposed)	1,203,454	1,203,454
		<u>£2,207,189</u>	<u>£4,591,326</u>
	Amounts falling due after more than one year—		
	Debenture Stock—Redeemable at par and secured by a floating charge on the assets of the Company—£1,000,000—5½% 1987	£1,000,000	£1,000,000
	Interest payable half yearly on 21st February and 21st August.		

10 Share Capital	Authorised £	500,000 5 (now 3.5) per cent. Cumulative Preference Shares of £1 80,230,248 Ordinary Shares of 25p	Issued and fully paid	
			1985 (£)	1984 (£)
	500,000		500,000	500,000
	23,500,000		20,057,562	20,057,562
	<u>£24,000,000</u>		<u>£20,557,562</u>	<u>£20,557,562</u>
11 Capital Reserves			1985 (£)	1984 (£)
		Realised appreciation on investments	27,021,796	23,025,248
		Balance brought forward	19,862,586	8,922,253
		Net surplus on realisation of investments	225,032	(676,700)
		Exchange rate difference on foreign currency transactions	3,672,340	(4,249,005)
		Profit (Shortfall) on U.S. Dollars sold forward		
		Balance at 31st December	<u>50,781,754</u>	<u>27,021,796</u>
		Unrealised appreciation on investments—		
		Investments at 31st December—		
		At valuation	111,718,587	96,792,182
		At book value	<u>73,143,515</u>	<u>53,065,701</u>
			38,575,072	43,726,481
		<i>Retranslation of foreign currency borrowing to 31st December 1984 exchange rates</i>	—	(77,113)
			<u>38,575,072</u>	<u>43,649,368</u>
		Balance at 31st December being net surplus of capital reserves	<u>£89,356,826</u>	<u>£70,671,164</u>
12 Revenue Reserve			1985 (£)	1984 (£)
		Balance brought forward	1,871,202	1,687,101
		Add: Undistributed revenue	28,187	184,101
		Balance at 31st December	<u>£1,899,389</u>	<u>£1,871,202</u>
13 Approval of Accounts		At a Meeting on 4th February 1986 the Directors approved the publication of these Accounts		

Report of the Auditors

To the Members of
The English and New York Trust plc

We have examined the financial statements on pages 20 to 26 in accordance with approved auditing standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st December 1985 and of its net revenue and source and application of funds for the year ended on that date and comply with the Companies Act 1985.

London
7th March 1986

Blease, Lloyd & Co.
Chartered Accountants

Blease Lloyd & Co

Source and Application of Funds

for the year ended 31st December 1985

		1985 £'000	1984 £'000
Source of Funds	Revenue before tax	3,186	3,383
	Derived from capital:		
	Sale of investments—		
	Equities and convertibles	45,773	28,962
	Others	525	4,468
		46,298	33,430
	Exchange rate differences on foreign currency transactions	3,897	(5,545)
	Total source of funds	53,381	31,268
Application of Funds	Dividends paid during year:		
	Preference stock	18	18
	Ordinary stock		
	Final for previous year	1,203	1,043
	Interim for current year	802	802
		2,023	1,863
	Taxation:		
	Paid and suffered on revenue	1,333	1,209
	Purchase of investments—		
	Equities and convertibles	45,828	23,988
	Others	685	65
		46,513	24,054
	Total application of funds	49,869	27,126
		£3,512	£4,142
Total increase in liquidity	Debtors	(173)	1,521
	Creditors	(149)	43
		(322)	1,564
	Cash and short term deposits	2,677	(1,028)
	Foreign currency borrowing	1,157	3,606
		3,834	2,578
		£3,512	£4,142

Directors' Report

Status	The Company operates as an approved Investment Trust within the meaning of Section 359 of the Income and Corporation Taxes Act 1970 as amended by the Finance Act 1972, confirmation of which has been received from the Inland Revenue for the year ended 31st December 1984. Such approval is expected to be granted for the accounting year now under review. The Company is not a close company.	
Share Capital	There has been no change in the share capital of the Company during the year.	
Investment Revenue	Gross income for the year after deducting all management and general expenses amounted to	£3,185,533
	Taxation absorbed	1,134,090
	and there remained a balance of	2,051,443
	from which has been deducted the dividend on £500,000 Preference Stock	17,500
	leaving available for distribution to Ordinary Shareholders	2,033,943
Dividends	Provision has been made in the Accounts for dividends declared on 80,230,248 Ordinary shares of 25p as follows:	
	Interim 1.00p per share paid 1st October 1985	£802,302
	Final 1.50p per share proposed	1,203,454
		2,005,756
	thus leaving to be added to Revenue Reserve	£28,187
	Subject to the final dividend being approved payment will be made on 18th April 1986 to Shareholders on the Register of Members at the close of business on 13th March 1986. The final dividend of 1.50p per share carries a tax credit of 0.64p per share which, together with the interim dividend paid, is equivalent to 14.3 per cent. gross, the same as paid last year.	
Invested Funds	Sales of investments during the year resulted in net gains of £19,862,586. Provisions in the Finance Act 1980 exempt approved Investment Trusts from corporation tax on capital profits. Invested funds at 31st December 1985 were valued at £111,718,587 to which has to be added net current assets of £1,095,190 (1984—£96,792,182 deduct liabilities of £2,692,254).	
Net Asset Value	The net asset value of the Ordinary shares of 25p at the year end, after deducting the proposed final dividend and the prior charge capital at redemption value was 138.7p as compared with a value of 115.4p at 31st December 1984.	
Multi-Currency Borrowing Facilities	The Trust has multi-currency borrowing facilities with the Bank of Montreal and Kleinwort, Benson Ltd equivalent to approximately U.S. \$12,230,000 and U.S. \$7,230,000 respectively. At 31st December 1985 none of these facilities were being utilised (1984 — Bank of Montreal U.S. \$1,430,000).	
Business Review	A review of the Company's activities is given in the Chairman's Statement on pages 3 and 4 and in the Investment Managers' review on pages 6 to 17.	
Substantial Shareholdings	The Company has been advised of the following holdings in excess of 5 per cent. of the Ordinary Capital—London and Manchester Group—8,106,000 shares (10.1%) The Prudential Assurance Company Ltd—5,885,886 shares (7.3%), The Standard Life Assurance Company—6,187,830 shares (7.7%), Sun Life Assurance Society Plc—4,838,000 shares (6.0%).	

Directors' Report

Continued

Donations & Subscriptions

Charitable donations made during the year to the Charities Aid Fund aggregated £1,071. In addition the Company subscribed to the following: £550 Economic League, £850 Conservative Board of Finance, £200 British United Industrialists, £110 English Speaking Union.

Change of Name

The Directors recommend that the name of the Company be changed to Kleinwort Overseas Investment Trust plc and a Special Resolution will be proposed at the forthcoming Annual General Meeting. Existing share certificates will continue to be valid.

Directors and Management

Mr. W. H. Conroy retires by rotation at the Annual General Meeting and is not seeking re-election. He has been a director of the Company since 1970 and was appointed Chairman in 1980. Mr. S. G. Errington also retires by rotation at the Annual General Meeting and offers himself for re-election. The Directors of the Company and their interests in the share capital as at 31st December are listed below—

	Ordinary Shares of 25p			
	1985		1984	
	Beneficial	Other	Beneficial	Other
D. A. Acland	8,000	40,000	8,000	40,000
W. H. Conroy	35,000	2,000	35,000	2,000
S. G. Errington	2,000	—	2,000	—
I. M. L. D. Forde	7,500	—	7,500	—
P. L. A. Jamieson	2,000	—	2,000	—
J. F. H. Trott	—	1,000	—	—

Since the year end date Mr J. F. H. Trott has acquired a beneficial interest in 5,000 ordinary shares of 25p.

No other changes to the above holdings had been reported up to 7th March 1986.

Mr. I. M. L. D. Forde and Mr. J. F. H. Trott are Directors in the Kleinwort Benson Group which provides all investment management and administrative services through Kleinwort Benson Investment Management Limited. The management contract, terminable at three years' notice, provides for a management fee of 0.25% per annum of the value of the assets after deduction of current liabilities, short term loans under one year and unit trusts and offshore funds managed by Kleinwort Benson Investment Management Limited.

No contracts of significance in which Directors are deemed to have been interested have subsisted during the year under review.

Auditors

A resolution appointing Blease, Lloyd & Co. as the Company's Auditors and authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

By Order of the Board
P. L. Longcroft
Secretary

7th March 1986

Notice of Meeting

Notice is hereby given that the Annual General Meeting of The English and New York Trust plc will be held at the Registered Office of the Company, 20 Fenchurch Street, London, E.C.3, on Tuesday 8th April 1986 at 2.30 p.m. for the following purposes:—

ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Accounts for the year ended 31st December 1985 with the Auditors' Report thereon.
2. To declare a Final Dividend.
3. To re-elect a Director.
4. To re-appoint the Auditors and authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution as a Special Resolution—
That the name of the Company be changed to Kleinwort Overseas Investment Trust plc.

By Order of the Board
P. L. Longcroft
Secretary

20 Fenchurch Street
London EC3P 3DB
14th March 1986

Notes

A Member entitled to attend and vote at this meeting may appoint one or more proxies to attend and, on a poll, vote in his stead. The proxy need not be a Member of the Company. Proxies must be lodged at least forty-eight hours before the Meeting. Completion of the enclosed form of proxy does not preclude a Member from attending the meeting and voting in person. Contracts of service are not entered into with the Directors, who hold office in accordance with the Articles of Association.

Form of Proxy

The English and New York Trust plc Proxy for use at Annual General Meeting

(a) I/We

(b)

being a Member(s) of the above-named Company,
hereby appoint

whom failing the Chairman of the Meeting, as
my/our Proxy to vote for me/us and on my/our
behalf at the Annual General Meeting of the
Company to be held on 8th April 1986 and at
any adjournment thereof.

(c)

Ordinary Resolutions	For	Against
To adopt the Report and Accounts		
To declare a final dividend of 1.50p per share		
To re-elect Mr. S. G. Errington as a Director		
To re-appoint Blease, Lloyd & Co. as Auditors and authorise the Directors to fix their remuneration		
Special Resolution	For	Against
To change the name of the Company to Kleinwort Overseas Investment Trust plc		

(d)

Signature

Dated this

day of

1986

NOTES

(a) Please insert full name(s) of all holders.

(b) Members entitled to attend and vote at the Meeting may appoint one or more proxies of their own choice to attend and, on a poll, vote in their stead. If it is so desired please insert the name(s) in the space provided.

(c) Please indicate above with an "X" how you wish your vote to be cast; if you do not do so, the proxy will abstain or vote at his discretion.

(d) In the case of a corporation this proxy must be under the Common Seal or under the hand of an officer or attorney duly authorised. In the case of joint holdings the signature of the first-named on the Register of Members will be accepted to the exclusion of the votes of the other joint holders.

To be effective this proxy must reach the office of the Registrars of the Company not less than 48 hours before the time of the Meeting.