



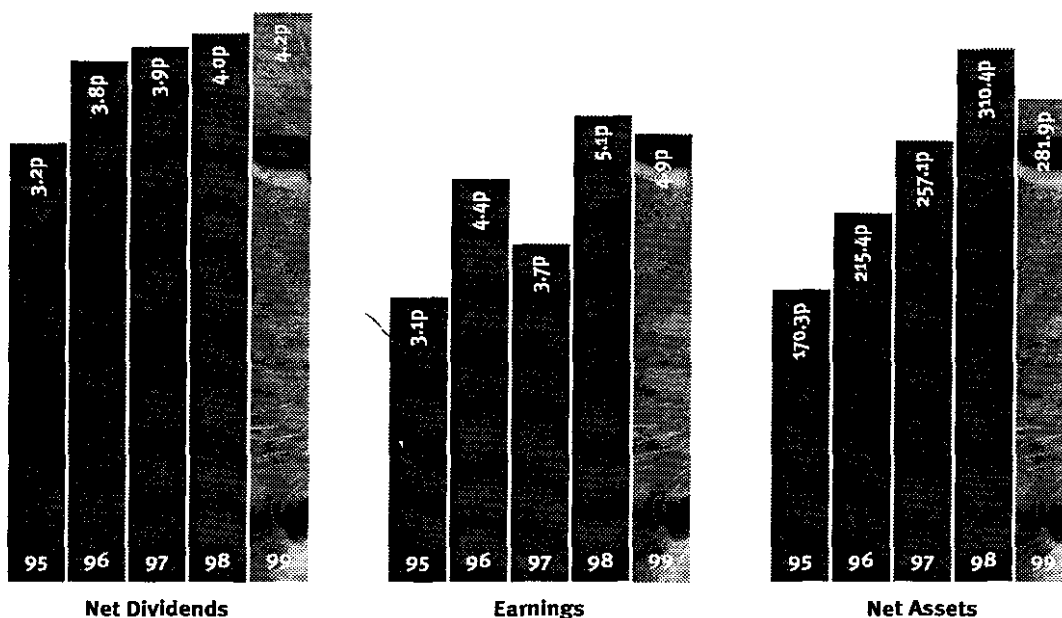
FINSBURY



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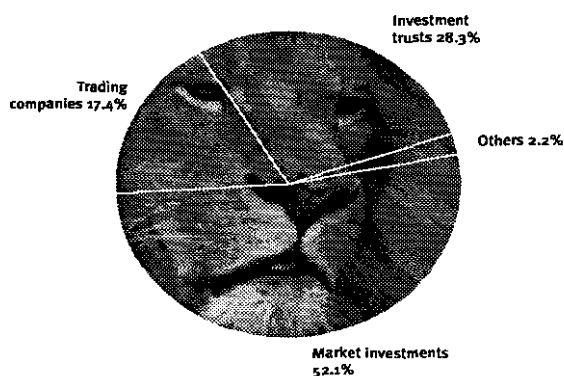
Finsbury Trust PLC invests in a portfolio of special situations, where its holdings may constitute a significant proportion of the equity of the companies concerned. It concentrates on investments intended to add value over the medium to longer term.

# Investment Record



Years ended 31 March. All figures are per ordinary and 'A' ordinary share.

## Analysis of Portfolio



# Chairman's Statement

The Company's performance in the year to 31 March 1999 was disappointing. The net asset value per ordinary and 'A' ordinary share decreased by 9.2% to 281.9p, which can be compared with a 4.1% rise in the FTSE All-Share Index. I would emphasise that the Company is not managed to track this Index.

I stated in last year's annual report that the FTSE All-Share Index had predominantly been driven by the strong performance of the FTSE 100 stocks to which the Company's portfolio has minimal exposure. This trend continued during the remainder of 1998, making the Index a less relevant benchmark for our diversified exposure to the UK markets. However, it is encouraging to note that since the start of 1999 there has been an increase in the attention being paid in the market to stocks outside the FTSE 100 Index, with both the FTSE 250 and SmallCap indices outperforming the large cap index over the calendar year to date. Since the Company's year end, the net asset value has increased by 5.7% to 298.0p at 31 May 1999, compared with a fall in the benchmark of 0.2%.

Income received from investments increased to £2.501 million (1998: £2.091 million) although, due to losses incurred by the dealing subsidiary in the difficult trading conditions of the third quarter of last year, total income received decreased to £2.481 million (1998: £2.588 million). Pre-tax revenue was £1.511 million (1998: £1.525 million). The Company paid an interim dividend of 1.7p per share (1998: 1.7p) in December 1998 and the Directors are recommending a final dividend of 2.5p (1998: 2.3p) per

ordinary and 'A' ordinary share to be paid on 22 July 1999 to shareholders on the register of members at the close of business on 25 June 1999.

During the year under review, the market price of the Company's ordinary and 'A' ordinary shares fell by 18.6% and 22.2% to 225.0p and 195.0p respectively. Your Board is concerned that the discount to net asset value at which the Company's shares are trading has materially increased during the year. The discount on the ordinary and 'A' ordinary shares increased during the year from 11.0% and 19.3% to 20.2% and 30.8% respectively.

We have considered with the Company's advisers mechanisms to enhance shareholder value and will at the forthcoming Annual General Meeting seek shareholders' authority to repurchase for cancellation up to 14.99% of the 'A' ordinary shares. Further explanation of the resolutions can be seen in the Report of the Directors on pages 13 and 14. The Company will not necessarily repurchase any shares, but may take any opportunity available if the resolution is passed. We will also be seeking authority to repay the preference shares as a class in accordance with their class rights.

The Directors have also considered the proposed marketing campaign of the Association of Investment Trust Companies and have decided to support the proposals. The Board has authorised a contribution to the campaign of approximately £49,000 in 1999, with subsequent contributions to be assessed in the light of progress towards the campaign's objectives.



# Chairman's Statement

The Company's investment policy was unchanged during the year. At the year end, market investments represented 52.1% of the portfolio, the investment trust portfolio represented 28.3% and the holdings in the trading companies represented 17.4%.

The Company's market portfolio decreased in value by 8.5% over the year. A review by the Company's investment adviser follows this statement. The value of our investment trust holdings (excluding Wren PLC – formerly Finsbury Underwriting Investment Trust PLC – which ceased to qualify as an investment trust during the year) fell by 12.8% in the year. This portfolio was affected by the general widening of discounts throughout the investment trust sector and on a net asset basis, its value decreased by only 4.4%.

The trading companies within our portfolio fell in value by 23.7% in the year, despite their satisfactory trading results. Ocean Wilsons reported increased pre-tax profits of £14.9 million in 1998. Rea Brothers Group increased its pre-tax profits by 3% to £3.632 million, with earnings and dividends per share increasing by 8% and 40% respectively. Adam & Harvey Group has recently recruited a new group chief executive, but the share price has continued to be affected both by adverse sentiment towards African economies in general and by the effect on the company's profit and balance sheet values of weak exchange rates in the region.

It has been depressing to report these figures, but many shareholders will remember that only one year ago in March 1998 the Company featured in the lists of the best

performing UK General investment trusts. It is not our intention to match any index over a short period; such popular index tracking may well be setting up problems for the UK and US stockmarkets and our respective economies. With this background, it seems reasonable for your Company to ask the shareholders for authority to repurchase some of its 'A' ordinary shares at a large discount, and to cancel its preference shares. We do, of course, wish to make the Company larger rather than smaller, but our first priority is to increase the wealth of our shareholders over the long term.

Jamie Borwick

2 June 1999

# Investment Review

The year under review has been a particularly challenging period for investing. Having started the year on a strong basis, our chosen strategy of focusing on medium and smaller companies was, at best, premature, and at worst, wrong. In a similar pattern to last year, the main outperformers in the stockmarket were restricted to two sectors, Telecoms and Pharmaceuticals, which between them represented some 20% of the market and in which we have no direct exposure.

Having been in line with the benchmark up to the interim stage, our bias towards the non-FTSE 100 companies left the market investment portfolio exposed. Over the year to 31 March 1999 the value of the Company's market portfolio fell by 8.5% compared with a rise of 4.1% in the FTSE All-Share Index. The underlying performance of each section of the portfolio is analysed in the commentary below.

## Market Investments

The main themes last year favoured growth against value and, as discussed above, large against medium to small market capitalisation companies. A reasonable recovery in the final quarter has given us encouragement to maintain our strategy of favouring medium to smaller companies with a value bias. We continue to believe that large company valuations are stretched and the area of greatest value remains in smaller companies. This has been evidenced by a recent pick-up in corporate activity which has benefited the portfolio. There have been a number of

bids over the year, the most recent include **CALA** and **Symonds**. In some cases, as in **Alexander Russell**, bid talks were announced but were not completed. We have subsequently added to this holding as we continue to believe its core aggregates business is undervalued. **Hewden Stuart** is a new holding and, given our optimism over the construction cycle, it is modestly valued given its leading position in this sector.

We have also received a share offer from **Northern Leisure** for our holding in **Fife Group**, whose management will be taking responsibility for building and developing Northern Leisure.

In a very similar pattern to last year, **Eurosales Finance** and **Robotic Technology Systems** have performed exceptionally well. The latter has now moved from the OFEX market to the Alternative Investment Market (AIM).

Our principal sales last year were **AEA Technology** and **WSP Group**. New holdings include **Charles Stanley**, a private client stockbroker, and **Eurotunnel**.

We have increased our holding in **Citadel**, which specialises in property investment in Paris and Lyons. Since the year end we have been reducing the portfolio's exposure to the smaller holdings with a view to creating a greater focus to this part of the portfolio.

# Investment Review

The main area of underperformance has been within the mineral extraction sector. **Rackwood Mining** has gone into receivership following the company's expansion into the US coal market. These ambitious plans proved too much for the company's management and its finances. Other holdings, such as **Ramco Energy** have continued to underperform. We have added to this holding as we continue to support the management and their strategy and believe that the company's Casplan assets remain undervalued.

## Investment Trusts

Apart from Finsbury Growth Trust, all the holdings have a specialist investment focus and are therefore likely to provide more volatile returns relative to the FTSE All-Share Index. After disappointing performances during 1998, the share prices of Finsbury Smaller Companies Trust and, in particular, Finsbury Technology Trust and Finsbury Worldwide Pharmaceutical Trust have recovered strongly.

## Outlook

Since the year end, we have continued to reduce the number of holdings in the belief that a more concentrated portfolio will enhance returns. New holdings include **British American Tobacco**, **Murray Enterprise** and **Electra Investment Trust**.

In the short term, the overvaluation of the US Stockmarket and the likelihood of some increase in interest rates will unsettle sentiment and may cause a correction. In the UK, medium and smaller companies are continuing to outperform and although they will not be immune from a correction, their undervaluation provides support and we believe our current strategy will provide positive returns.

John Dodd

Rea Brothers (Investment Management) Limited

2 June 1999



## Analysis of Investments

On the basis of the market valuation at 31 March 1999 the investments of the Group were as follows:

	1999 £'000	1999 %	1998 £'000	1998 %
<b>Listed Equities &amp; Convertibles</b>				
Aerospace & Defence	828	1.2	—	—
Banks, Retail	1,893	2.7	1,893	2.4
Construction & Building Materials	3,736	5.4	3,157	4.1
Chemicals	61	0.1	462	0.6
Distributors	1,991	2.9	1,812	2.3
Diversified Industrials	323	0.4	—	—
Electricity	1,779	2.6	2,099	2.7
Electronic & Electrical Equipment	2,863	4.2	2,579	3.2
Engineering & Machinery	453	0.6	2,320	3.0
Food Producers	119	0.2	514	0.7
Health	226	0.3	—	—
Household Goods & Textiles	1,509	2.2	1,092	1.4
Insurance	2,110	3.1	3,264	4.2
Investment Trusts	19,837	28.8	22,461	28.6
Life Assurance	493	0.7	—	—
Leisure & Hotels	802	1.2	—	—
Media	3,758	5.5	5,180	6.5
Mining	1,263	1.8	1,372	1.8
Oil & Gas	940	1.4	1,561	2.0
Pharmaceuticals	575	0.8	147	0.2
Real Estate	1,965	2.9	2,438	3.1
Retailers, Food	—	—	646	0.8
Retailers, General	—	—	1,342	1.7
Speciality & Other Financial	6,795	9.9	6,688	8.5
Support Services	16	0.0	3,053	3.9
Telecommunications	—	—	150	0.2
Transport	12,314	17.9	13,629	17.3
<b>Total Listed Equities &amp; Convertibles</b>	<b>66,649</b>	<b>96.8</b>	<b>77,859</b>	<b>99.2</b>
Listed Fixed Interest	676	1.0	19	0.0
<b>Total Listed Investments</b>	<b>67,325</b>	<b>97.8</b>	<b>77,878</b>	<b>99.2</b>
Unlisted Equities	124	0.2	113	0.1
Unlisted fixed interest	836	1.2	—	—
Direct Property	583	0.8	583	0.7
<b>Total Investments</b>	<b>68,868</b>	<b>100.0</b>	<b>78,574</b>	<b>100.0</b>
<b>Geographical Distribution</b>				
United Kingdom	60,483	87.8	69,414	88.3
Bermuda	7,482	10.9	8,838	11.2
Southern Africa	—	—	322	0.5
Sweden	67	0.1	—	—
USA	836	1.2	—	—
	<b>68,868</b>	<b>100.0</b>	<b>78,574</b>	<b>100.0</b>



## Analysis of Investments

The investments of the Company at 31 March 1999 were as follows:

	Market Value £000	Investment as a Percentage of portfolio %
<b>Trading Companies</b>		
Ocean Wilsons Holdings	7,482	10.9
Rea Brothers Group	3,710	5.4
Adam & Harvey Group	790	1.1
	<b>11,982</b>	<b>17.4</b>
<b>Investment Trusts</b>		
Finsbury Growth Trust	13,476	19.6
Finsbury Smaller Companies Trust	3,438	5.0
The Benfield & Rea Investment Trust	863	1.3
Reabourne Merlin Life Sciences Investment Trust	655	1.0
Finsbury Worldwide Pharmaceutical Trust	646	0.9
Finsbury Technology Trust	400	0.5
	<b>19,478</b>	<b>28.3</b>
<b>Market Investments</b>		
Euro Sales Finance	1,927	2.8
Bank of Scotland	1,893	2.7
British Energy	1,779	2.6
Jardine Lloyd Thompson Group	1,298	1.9
Cala	1,220	1.8
Stagecoach Holdings	1,207	1.8
Fife Group	1,201	1.7
Charles Stanley Group	1,158	1.7
Hewden Stuart	1,139	1.7
Railtrack Group	1,061	1.5
Other market investments (37)	17,272	25.1
	<b>31,155</b>	<b>45.3</b>
<b>AIM &amp; OFEX Investments</b>		
Robotic Technology Systems	2,561	3.7
Citadel Holdings	1,010	1.4
Other AIM & OFEX Investments (7)	1,139	1.7
	<b>4,710</b>	<b>6.8</b>
<b>Unlisted Investments</b>		
Lynton Group	836	1.2
Diomed	124	0.2
	<b>960</b>	<b>1.4</b>
<b>Investment Property</b>	<b>583</b>	<b>0.8</b>
<b>Total Investments</b>	<b>68,868</b>	<b>100.0%</b>

## Company Information

### Directors

Jamie Borwick, Chairman  
Jocelin Harris  
Michael Reeve  
Edwin Teideman  
Professor Geoffrey Wood

#### Jamie Borwick

Aged 44. Joined the Board in 1984.  
He is chief executive of Manganese Bronze Holdings PLC  
and a non-executive director of Adam & Harvey Group PLC.

#### Jocelin Harris

Aged 53. Joined the Board in 1991. He is chief  
executive of Durrington Corporation Limited which  
provides finance to small and growing businesses, and is a  
director of a number of other companies.

#### Michael Reeve

Aged 62. Joined the Board in 1990. He is the chairman of  
Finsbury Growth Trust PLC and of Close Brothers AIM VCT  
PLC.

#### Edwin Teideman

Aged 69. Joined the Board in 1976. He is a consultant to  
and former director of Ocean Wilsons Holdings Limited.

#### Geoffrey Wood

Aged 53. Joined the Board in 1997. He is Professor of  
Economics at City University, London.

### Secretary & Registered Office

Rea Brothers Limited  
Alderman's House  
Alderman's Walk  
London EC2M 3XR  
Telephone 0171 623 1363

### Company Number

126107 (Registered in England)

### Managers

Rea Brothers (Investment Management) Limited  
Alderman's House  
Alderman's Walk  
London EC2M 3XR  
Investor Helpline 0990 502 017

### Auditors

Robson Rhodes  
186 City Road  
London EC1V 2NU

### Solicitors

Eversheds  
Senator House  
85 Queen Victoria Street  
London EC4V 4JL

### Bankers

The Bank of New York  
One Canada Square  
London E14 5AL

Robert Fleming & Co Limited  
25 Copthall Avenue  
London EC2R 7DR

### Stockbrokers

HSBC Securities  
68 Upper Thames Street  
London EC4V 3BJ

### Registrars

IRG plc  
Balfour House  
390/398 High Road  
Ilford  
Essex IG1 1NQ

The Company is a member of the Association of  
Investment Trust Companies.

## Report of the Directors

The Directors present their Report and Statement of Accounts for the year ended 31 March 1999.

### Status and Activities

During the year under review the Company has operated as an investment company, as defined under Section 266 of the Companies Act 1985. It qualifies as an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988, and Inland Revenue approval for such treatment has been given up to 31 March 1998. The Company has subsequently directed its affairs so as to enable it to continue to obtain such approval.

There has been no significant change in the activities of the Company and its subsidiary (the 'Group') during the year and the Directors anticipate that the Group will continue to operate in the same manner during the current year.

The Company's shares currently qualify for inclusion in the stocks and shares component of an Individual Savings Account (ISA). The Company is a qualifying trust for PEP purposes.

### Results and Dividends

The results attributable to shareholders for the year and the transfer to reserves are shown on page 16. The dividends paid and proposed are as follows:

	1999 £000	1998 £000
Preference shares	16	16
Ordinary shares		
Interim paid of 1.7p (1998: 1.7p) per share	408	408
Final proposed of 2.5p (1998: 2.3p) per share	600	552
	<b>1,024</b>	<b>976</b>

The final dividend will, if approved, be paid on 22 July 1999 to ordinary and 'A' ordinary shareholders registered at the close of business on 25 June 1999.

### Fixed Asset Investments

The market value of the Group's investments at 31 March 1999 was £68,868,000 (1998: £78,574,000). Taking these investments at this valuation, the net assets attributable to each ordinary share amounted to 281.9p at 31 March 1999 (1998: 310.4p).

### Management

During the year, Finsbury Asset Management Limited (FAM), a wholly-owned subsidiary of Rea Brothers Group PLC, acted as manager and provided management and administrative services to the Company. The Company owns 15.11% of the ordinary share capital and voting rights of Rea Brothers Group PLC.

FAM charged investment management fees at an annual rate of three quarters of one per cent of the valuation of the Company's portfolio, after deducting investments in any other company managed by FAM. In addition, FAM charges a management fee to the dealing subsidiary of fifteen per cent of the pre-tax profits of that company after adjusting for a notional interest charge on capital employed. The management agreement between FAM and the Company was terminable by either party giving written notice of not less than twenty four months duration to the other party. Apax Finsbury Investment Management Limited acted as investment advisers to FAM in relation to the market investment portfolio held by the Company.

Secretarial and accounting services provided by FAM were charged at a fixed fee of £40,000 per annum (£47,000 including VAT) and a proportion of the office costs incurred by FAM were recharged to the Company. The administrative and secretarial agreement may be terminated by either party giving written notice of not less than twelve months duration to the other party.

## Report of the Directors

With effect from 1 April 1999, the Company released FAM from the investment management and administrative and secretarial services agreement and consented to Rea Brothers (Investment Management) Limited (the 'Manager'), a fellow wholly-owned subsidiary of Rea Brothers Group PLC, undertaking to be bound by the terms and conditions of the agreement. This change is purely the result of an administrative reorganisation within the Rea Brothers Group and will not affect the Company's management. The Manager continues to be advised on investment matters by Apax Finsbury Investment Management Limited.

### Directors

The present members of the Board are shown on page 8.

Under the Articles of Association, Mr Michael Reeve retires by rotation and being eligible, offers himself for re-election.

The interests of Directors and their families in the Company at 31 March 1999 were as set out below:

	Ordinary shares of 5p each		'A' ordinary shares of 5p each		Nature of interest
	1999	1998	1999	1998	
Mr Jamie Borwick	<b>2,200</b>	2,000	-	-	Beneficial
Mr J M St J Harris	<b>2,000</b>	2,000	-	-	Beneficial
Mr M A F Reeve	-	-	<b>6,250</b>	6,250	Non-Beneficial
Mr E C Teideman	<b>2,000</b>	2,000	-	-	Beneficial
Professor G E Wood	<b>1,000</b>	1,000	-	-	Beneficial

None of the Directors has any interest in the Company's preference shares. No change in the Directors' interests has occurred prior to the date of this report.

None of the Directors has any service contract with the Company or its subsidiary.

None of the Directors have been interested in any contracts with the Company or its subsidiary.

### Substantial Shareholdings

At the date of this report the following interests in the ordinary shares of the Company which exceeded 3% of the issued share capital of that class have been notified:

	No. of shares	% of issued capital
Nicholas B. Dill, Jr. & Codan Trust Company Limited	3,994,350	49.93
The Equitable Life Assurance Society	1,088,000	13.60
London & Manchester (Portfolio Management) Limited	650,000	8.13

Of the shares held by Nicholas B. Dill, Jr. & Codan Trust Company Limited, Mr W H Salomon is interested in 1,997,175 shares and Mr and Mrs J A V Townsend are interested in 1,997,175. In addition, Mr W H Salomon is interested in a further 144,500 Ordinary shares of which Mr and Mrs J A V Townsend are also interested in 42,500 shares.

### Auditors

Robson Rhodes have expressed their willingness to continue to act as Auditors to the Company and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

## Report of the Directors

### Creditors Payment Policy

While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. Payments relating to investment transactions are made in accordance with the settlement practices of the relevant exchange. At 31 March 1999, the number of days trade (brokers) creditors was 14 (1998: 30).

### Going Concern

The Directors, having made relevant enquiries, are satisfied that it is appropriate to prepare financial statements on the going concern basis as the net assets of the Group consist of securities, the majority of which are traded on recognised stock exchanges.

### Year 2000 Compliance

The Directors are continuing to take steps to address the Year 2000 issue. Assurances have been sought and received from the Company's Manager and key suppliers that appropriate strategies have been formulated to deal with the Year 2000 problem. The operations of the Company depend not only on the computer systems of the Manager, but also on those of the bankers, registrar and other key suppliers, such as providers of security pricing information. This exposes the Company to risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that an acceptable state of readiness will be achieved. The Board is not aware of any costs associated with implementing Year 2000 compliance which will be incurred directly by the Company.

### Directors' Responsibilities

The Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit of the Group for the year. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition the Directors are required to: (a) select suitable accounting policies and apply them consistently; (b) make judgements and estimates that are reasonable and prudent; (c) state whether applicable accounting standards have been followed; and (d) prepare financial statements on a going concern basis unless it is inappropriate to assume the Group will continue in business. The Directors confirm that the financial statements comply with *the above requirements*.

The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report of the Directors

### Corporate Governance

The Board has carried out a full review of the principles of good governance and the code of best practice (the 'Combined Code') prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel. To ensure that the appropriate level of corporate governance is attained, the Board has confirmed that arrangements are in place to enable compliance with Section 1 of the Combined Code, as required by Listing Rule 12.43A issued by the London Stock Exchange.

### Compliance with the Combined Code

Guidance issued to listed companies by the London Stock Exchange in December 1998 has confirmed that by complying with the existing arrangements on internal controls, a company's statement of compliance satisfies the requirements of the Combined Code. The Board therefore considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the year ended 31 March 1999, other than those it believes are not appropriate to an investment trust company which has only non-executive directors. These relate to the appointment of a nomination committee, a remuneration committee and a senior independent director.

The Directors are responsible for overseeing the effectiveness of the internal financial control systems for the Group, which are designed to ensure that proper accounting records are maintained, that the financial information on which the business decisions are made and which are issued for publication is reliable, and that the assets of the Group are safeguarded. Such a system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The Directors, through the procedures outlined above, have kept under review throughout the period covered by these financial statements the effectiveness of the system of internal financial control. However, in accordance with the guidance referred to previously, the Board will report to shareholders on the broader aspects of internal control following publication of the findings of the working party on this subject established by the Institute of Chartered Accountants in England and Wales.

### Principles of the Combined Code

#### (a) Directors

The Board consists of five members, all of whom are non-executive and are also independent of the Company's Manager. The Board believes that the appointment of a senior independent director is not appropriate for a Board which has only non-executive directors. There is no position of Chief Executive Officer.

The Directors meet as a Board on a quarterly basis and at other times as necessary. The Board is responsible for investment policy and has a schedule of investment matters reserved for the resolution of the Directors. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services which includes safeguarding of the assets, and the day to day accounting and company secretarial requirements. Each of these contracts is only entered into after proper consideration of the quality and cost of services.

A full report is received from the Manager at the quarterly meetings on the investment holdings and performance. In the light of these reports, the Board gives directions to the investment manager as to the investment objectives and guidelines.

## Report of the Directors

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting and due to the nature of such resolutions, Directors are subsequently subject to re-election at intervals of no more than three years.

### (b) Remuneration

The Board as a whole fulfils the function of a remuneration committee and considers that the specific appointment of such a committee is not appropriate for an investment trust company. The level of Directors' fees is reviewed on a regular basis relative to other comparable companies and in the light of Directors' responsibilities.

### (c) Relations with Shareholders

The Company, through the investment manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors.

### (d) Accountability and Audit

The Company's Audit Committee, which comprises the whole Board, meets representatives of the Manager and its Compliance Officer who reports as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. The Company's external Auditors also attend this Committee at its request and report on their work procedures, the quality and effectiveness of the Company's accounting records and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include review of the internal financial controls, accounting policies, financial statements, the management contract, the Auditors' appointment and remuneration and the value of the unquoted investments.

## Annual General Meeting

Special resolutions relating to the following items will be proposed at the forthcoming Annual General Meeting:

### (a) Authority to Repurchase 'A' ordinary shares

A resolution will be proposed at the forthcoming Annual General Meeting seeking shareholder approval for the Company to have the power to repurchase its own 'A' ordinary shares. The Board believes that the ability of the Company to purchase its own 'A' ordinary shares in the market will potentially benefit all equity shareholders of the Company. The repurchase of 'A' ordinary shares at a discount to the underlying net asset value ("NAV") will enhance NAV per share of the remaining equity shares and it may also enable the Company to address more effectively any imbalance between supply and demand for the Company's 'A' ordinary shares.

The Company's Articles are drafted in such a way that the Company may from time to time purchase and cancel its own shares. However, company law requires that shareholders' approval to repurchase shares be sought. At the Annual General Meeting the Company will therefore seek the authority to purchase up to 2,398,400 'A' ordinary shares (representing 14.99% of the Company's issued 'A' ordinary share capital, the maximum permitted under the Listings Rules of the London Stock Exchange) at a price that is not less than 5p per share (the nominal value of each share) and not more than 5% above the average of the middle-market quotations for the five business days preceding the day of purchase. The authority being sought, the full text of which can be found in Resolution 8 in the Notice of Meeting will last until the date of the next Annual General Meeting.

It is proposed that the Company uses its realised capital reserves to repurchase shares in the market. The Company's Memorandum and Articles are drafted in such a way that the distribution of capital profits is prohibited. The Company is proposing alterations to its Memorandum and Articles to permit shares to be repurchased out of its capital profit.

Resolution 6 in the Notice of Meeting proposes the necessary amendments. The decision as to whether the Company

## Report of the Directors

repurchases any shares will be at the absolute discretion of the Board. Any shares purchased will be cancelled. No shares will be repurchased during the two month period immediately preceding the preliminary announcement of the Company's annual and interim results or, if shorter, the period from the end of the relevant financial period up to and including the time of the relevant announcement.

The Directors consider that the implementation of a facility to repurchase the Company's own 'A' ordinary shares is in the interests of shareholders as a whole and unanimously recommend all holders to vote in favour by ticking the appropriate boxes on the enclosed form of proxy. The proxy form should be returned to the Company's Registrar as soon as possible but in any event so as to arrive no later than 48 hours before the time of the Annual General Meeting.

### **(b) Directors' Fees**

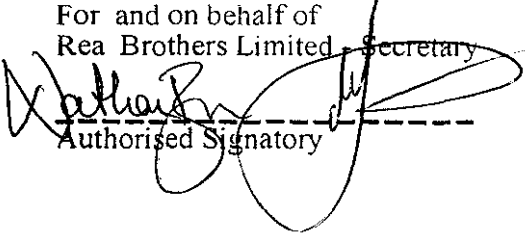
The Company's Articles permit the Board to determine the fees payable to Directors, provided that the aggregate of all such fees shall not exceed £50,000. The current aggregate of fees paid to the Directors is £49,000. The Board believes that it is appropriate that the Articles be amended such that the aggregate of Directors' fees shall not exceed £100,000 and Resolution 7 in the Notice of Meeting proposes this amendment. If approved, this amendment would give the Board greater flexibility, for example it would enable the appointment of an additional Director if required, and would permit increases to payments to individual Directors if the Board deemed it appropriate. No such increases to the level of fees paid to individual Directors are currently proposed nor will be proposed in the current year.

### **(c) Authority to Cancel the Preference Shares**

As explained in the Chairman's Statement on page 2, Resolution 9 in the Notice of Meeting proposes that with the approval of the Court the Company's authorised share capital be reduced by the cancellation of the 7.5 per cent cumulative preference shares. In accordance with the rights of the preference shareholders established under the Company's Articles, it is proposed that the repayment of these shares be made at 137.5p per preference share together with all accruals of the fixed cumulative preference dividend in respect of such shares due to the date of repayment.

The repayment of the preference shares will enable the preference shareholders to receive the repayment of the capital paid on their shares together with the premium of 37.5p per share provided for in the Articles and will simplify the Company's administration. This repayment will not have a material adverse effect on the net assets for ordinary and 'A' ordinary shares.

By order of the Board  
**Rea Brothers Limited** Secretary  
2 June 1999

For and on behalf of  
**Rea Brothers Limited** Secretary  
  
Authorised Signatory

Alderman's House  
Alderman's Walk  
London EC2M 3XR



# Auditors' Report

to the Shareholders of Finsbury Trust PLC

We have audited the financial statements on pages 16 to 30, which have been prepared on the basis of the accounting policies set out on pages 19 to 20.

## **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing the financial statements, as described on page 11. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements; if the Company has not kept proper accounting records; if we have not received all the information and explanations we require for our audit; or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 12 to 13 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

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

## **Basis of Opinion**

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

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

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 1999 and of the Company's and the Group's net revenue, total return and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

## **Robson Rhodes**

*Chartered Accountants and Registered Auditors*

London

2 June 1999



## Consolidated Statement of Total Return

incorporating the revenue account for the year ended 31 March

	Notes	Revenue 1999 £000	Capital 1999 £000	Total 1999 £000	Revenue 1998 £000	Capital 1998 £000	Total 1998 £000
(Losses)/gains on investments	23	-	(7,013)	(7,013)	-	12,531	12,531
Exchange gains/(losses) on							
currency balances	18	-	24	24	-	(19)	(19)
Income	2	2,481	-	2,481	2,588	-	2,588
Investment management fee	3	(426)	-	(426)	(483)	-	(483)
Other expenses	4	(224)	-	(224)	(244)	-	(244)
<b>Net return before finance costs and taxation</b>		<b>1,831</b>	<b>(6,989)</b>	<b>(5,158)</b>	<b>1,861</b>	<b>12,512</b>	<b>14,373</b>
Interest payable and similar charges	6	(320)	-	(320)	(336)	-	(336)
<b>Return on ordinary activities before taxation</b>		<b>1,511</b>	<b>(6,989)</b>	<b>(5,478)</b>	<b>1,525</b>	<b>12,512</b>	<b>14,037</b>
Taxation on ordinary activities	7	(329)	-	(329)	(281)	-	(281)
<b>Return on ordinary activities after taxation</b>		<b>1,182</b>	<b>(6,989)</b>	<b>(5,807)</b>	<b>1,244</b>	<b>12,512</b>	<b>13,756</b>
Dividends in respect of non-equity shares	9	(16)	-	(16)	(16)	-	(16)
<b>Return attributable to equity shareholders</b>	8	<b>1,166</b>	<b>(6,989)</b>	<b>(5,823)</b>	<b>1,228</b>	<b>12,512</b>	<b>13,740</b>
Dividends on ordinary shares (equity)	9	(1,008)	-	(1,008)	(960)	-	(960)
<b>Transfer to/(from) reserves</b>	18	<b>158</b>	<b>(6,989)</b>	<b>(6,831)</b>	<b>268</b>	<b>12,512</b>	<b>12,780</b>
<b>Return per ordinary share – pence</b>	8	<b>4.9p</b>	<b>(29.1p)</b>	<b>(24.2p)</b>	<b>5.1p</b>	<b>52.1p</b>	<b>57.2p</b>

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

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

The accompanying notes are an integral part of this statement.

# Balance Sheet of the Group and of the Company

at 31 March

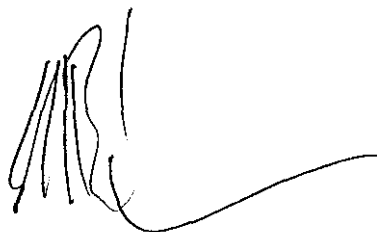
	Notes	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
<b>Fixed asset investments</b>					
Group undertaking	12	-	-	195	328
Other investments	13	68,868	78,574	68,868	78,574
		68,868	78,574	69,063	78,902
<b>Current assets</b>					
Debtors	14	772	2,027	1,440	2,736
Investments	15	981	1,320	-	-
Cash at Bank		540	1,445	459	1,159
		2,293	4,792	1,899	3,895
<b>Creditors</b>					
Amounts falling due within one year	16	(3,203)	(8,577)	(3,004)	(8,008)
<b>Net current liabilities</b>		(910)	(3,785)	(1,105)	(4,113)
<b>Net assets</b>		67,958	74,789	67,958	74,789
<b>Capital and reserves</b>					
Called up share capital	17	1,500	1,500	1,500	1,500
Capital reserve - realised	18	38,974	33,197	38,974	33,197
Capital reserve - unrealised	18	25,924	38,690	26,116	39,015
Revenue reserve	18	1,560	1,402	1,368	1,077
<b>Total shareholders' funds</b>	19	67,958	74,789	67,958	74,789
Total shareholders' funds are attributable to:					
Equity shareholders		67,658	74,489	67,658	74,489
Non-equity shareholders		300	300	300	300
		67,958	74,789	67,958	74,789
<b>Net asset value per ordinary share</b>	20	281.9p	310.4p	281.9p	310.4p

The financial statements on pages 16 to 30 were approved by the Board of Directors on 2 June 1999 and were signed on its behalf by:

**Jamie Borwick**

Chairman

The accompanying notes are an integral part of this statement.



## Consolidated Cash Flow Statement

for the year ended 31 March

	Notes	1999 £000	1998 £000
<b>Net cash inflow from operating activities</b>	21	<b>1,975</b>	<b>84</b>
<b>Servicing of finance</b>			
Interest paid		(320)	(336)
Preference dividend paid		(16)	(16)
<b>Net cash outflow from servicing of finance</b>		<b>(336)</b>	<b>(352)</b>
<b>Taxation</b>			
Taxation paid		(10)	(14)
<b>Total taxation paid</b>		<b>(10)</b>	<b>(14)</b>
<b>Financial investment</b>			
Purchases of investments		(20,376)	(28,334)
Sales of investments		21,985	31,324
<b>Net cash inflow from financial investment</b>		<b>1,609</b>	<b>2,990</b>
<b>Equity dividends paid</b>		<b>(960)</b>	<b>(936)</b>
<b>Increase in cash</b>	22	<b>2,278</b>	<b>1,772</b>

The accompanying notes are an integral part of this statement.

## Notes to the Accounts

### 1. Accounting Policies

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The principal accounting policies, all of which have been applied consistently throughout the period, in the preparation of these accounts are set out below:

#### **a) Accounting Convention**

The accounts have been prepared under the historical cost convention, except where stated in b) and c) below and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

#### **b) Basis of Consolidation**

The consolidated accounts comprise the accounts of the Company and its subsidiary undertaking made up to 31 March 1999.

In the Company's accounts, the investment in its subsidiary undertaking is stated at the net asset value as shown by the most recent accounts.

#### **c) Investments held as Fixed Assets**

The value of fixed asset investments are stated in the accounts on the following basis:

- (i) Listed investments are stated at closing middle market prices on recognised stock exchanges.
- (ii) Alternative Investment Market (AIM) investments are stated at closing middle market prices.
- (iii) OFEX investments are valued by reference to the latest traded prices.
- (iv) Unlisted investments are stated at Directors' valuation.
- (v) Property is stated at open market valuation. The latest valuation was carried out by Fuller Peiser, property consultants, in February 1997.

#### **d) Investments held as Current Assets**

Listed investments are stated individually at the lower of cost and market value.

#### **e) Investment Income**

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

Dividends and interest on investments in unlisted shares and securities are recognised when they become receivable.

Underwriting commission is recognised as income in so far as it relates to shares not required to be taken up. Where a proportion of the shares underwritten is required to be taken up the same proportion of the commission received is treated as a deduction from the cost of the shares taken up, with the balance taken to the revenue account.

Rental income is recognised when it becomes receivable.

## Notes to the Accounts

### 1. Accounting Policies *continued*

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#### **f) Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- (i) expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of that investment;
- (ii) expenses are charged to realised capital reserve where a connection with the maintenance or enhancement of the value of the investments can be demonstrated.

#### **g) Taxation**

Advance corporation tax ('ACT') payable on dividends paid or provided for in the year is written off to the revenue account, except when recoverability is considered to be reasonably certain. Provision is made for taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Provision for the full potential deferred taxation liability has been made.

#### **h) Foreign Currencies**

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

#### **i) Reserves**

Capital reserves - Realised

The following are charged to this reserve:

- gains and losses on the realisation of investments,
- realised exchange differences of a capital nature.

Capital reserves - Unrealised

The following are charged to this reserve:

- increases and decreases in the valuation of investments held at the year end,
- unrealised exchange differences of a capital nature.

## Notes to the Accounts

### 2. Income

	1999 £000	1998 £000
<b>Income from listed investments:</b>		
Franked dividends	1,731	1,351
Foreign income dividends	167	251
Unfranked interest	53	37
Overseas dividends	550	452
	<b>2,501</b>	<b>2,091</b>
<b>Other operating income:</b>		
Dealing (loss)/profit	(163)	329
Underwriting income	18	61
Interest receivable	59	39
Rental income	66	68
	<b>(20)</b>	<b>497</b>
<b>Total income</b>	<b>2,481</b>	<b>2,588</b>
<b>Total income comprises:</b>		
Dividends	2,448	2,054
Interest from investments	53	37
Other income	(20)	497
	<b>2,481</b>	<b>2,588</b>

### 3. Investment Management Fee

	1999 £000	1998 £000
Periodic fee	363	421
Irrecoverable VAT thereon	63	62
	<b>426</b>	<b>483</b>

## Notes to the Accounts

### 4. Other Expenses

	1999 £000	1998 £000
Secretarial services	47	47
Directors' remuneration (see note 5)	49	46
Auditors' remuneration for audit services	12	10
Other expenses	116	141
	<b>224</b>	<b>244</b>

### 5. Directors' Emoluments

	1999 £000	1998 £000
Chairman, who is also the highest paid director	15	15

The emoluments (none of which were performance related) of the other four Directors were in the range £5,001 to £10,000. No bonus or pension contributions were payable by the Company. All emoluments are for services as Directors.

### 6. Interest Payable and Similar Charges

	1999 Total £000	1998 Total £000
Bank interest	320	336

### 7. Taxation on Ordinary Activities

	1999 Total £000	1998 Total £000
Tax attributable to franked dividends	318	281
Overseas taxation	11	-
	<b>329</b>	<b>281</b>



## Notes to the Accounts

### 8. Return per Ordinary Share

	Revenue 1999	Capital 1999	Total 1999	Revenue 1998	Capital 1998	Total 1998
Return per ordinary share	4.9p	(29.1p)	(24.2p)	5.1p	52.1p	57.2p

#### Revenue Return

Revenue return per share is based on revenue return attributable to equity shareholders of £1,166,000 (1998: £1,228,000).

#### Capital Return

Capital return per share is based on capital return attributable for equity shareholders of £6,989,000 loss (1998: £12,512,000 gain).

Both the revenue and capital return are based on 8,000,000 ordinary and 16,000,000 "A" ordinary shares in issue as at 31 March 1999 (1998: same).

### 9. Dividends

	1999 £000	1998 £000
Dividends on non-equity shares: 7.5% cumulative preference shares of £1	16	16
Dividends on equity shares:		
Interim paid on 23 December 1998 - 1.7p (1998: 1.7p)	408	408
Final proposed, payable on 22 July 1999 - 2.5p (1998: 2.3p)	600	552
	1,008	960

### 10. Revenue Attributable to Shareholders

The return on ordinary activities after taxation dealt with in the accounts of the holding company is £1,315,000 (1998: £999,000). As permitted by Section 230(2) of the Companies Act 1985, no separate revenue account for the Company has been included in these accounts.

### 11. Significant Holdings

The Company has holdings in the following companies, which either exceed 10% of the Company's own assets or the holding exceeds 20% of any class of equity share capital of the company concerned:

Company	Country of incorporation or registration	Class of capital	% of class held	Latest available accounts	Aggregate capital and reserves £000	Profit after tax for the year £000
Ocean Wilsons Holdings Limited	Bermuda	Ordinary	23.8	31.12.98	68,050	8,534
Finsbury Growth Trust PLC	Scotland	Ordinary	15.0	30.09.98	86,339	1,926

## Notes to the Accounts

### 12. Group Undertaking

The Company owns 100% of the ordinary share capital and voting rights of Consolidated Investment Funds Limited, an investment dealing company, which is registered and operates in England.

	1999 £000	1998 £000
Shares at cost	3	3
Unrealised appreciation	192	325
	195	328

### 13. Fixed Asset Investments

Group and Company	Listed £000	AIM & OFEX £000	Unlisted £000	Property £000	1999 Total £000
Cost at 1 April 1998	36,506	2,264	574	532	39,876
Unrealised appreciation/(depreciation) at 1 April 1998	37,588	1,521	(462)	51	38,698
Valuation at 1 April 1998	74,094	3,785	112	583	78,574
Movements in the year:					
Purchases at cost	15,584	1,868	827	-	18,279
Sales – proceeds	(20,447)	(525)	-	-	(20,972)
realised gains on sales	1,249	310	-	-	1,559
Movement in unrealised appreciation	(7,865)	(728)	21	-	(8,572)
Valuation at 31 March 1999	62,615	4,710	960	583	68,868
Cost at 31 March 1999	37,079	3,932	1,401	532	42,944
Unrealised appreciation/(depreciation) at 31 March 1999	25,536	778	(441)	51	25,924
	62,615	4,710	960	583	68,868
Losses on investments:					
Realised gains based on historical cost					5,761
Less: amount recognised as unrealised in previous years					(4,202)
Realised gains based on carrying value at previous balance sheet date					1,559
Net movement in unrealised appreciation					(8,572)
Losses on investments					(7,013)

## Notes to the Accounts

### 14. Debtors

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Due from subsidiary undertaking	-	-	870	886
Securities sold for future settlement	486	1,479	290	1,302
Taxation recoverable	14	24	14	24
Other debtors	4	395	4	395
Prepayments and accrued income	268	129	262	129
	<b>772</b>	<b>2,027</b>	<b>1,440</b>	<b>2,736</b>

### 15. Investments held by Dealing Subsidiary

	Group 1999 £000	Group 1998 £000
Listed investments at the lower of cost and market value	981	1,320
Aggregate market value	<b>1,004</b>	<b>1,351</b>

### 16. Creditors

Amounts falling due within one year:	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Bank loans and overdrafts	1,500	4,707	1,500	4,707
Securities purchased for future settlement	906	3,003	708	2,503
Dividend payable	600	552	600	552
Other creditors and accruals	197	315	196	246
	<b>3,203</b>	<b>8,577</b>	<b>3,004</b>	<b>8,008</b>

## Notes to the Accounts

### 17. Share Capital

	1999 £000	1998 £000
Authorised, allotted, called up and fully paid:		
300,000 7.5% Cumulative preference shares of £1	300	300
8,000,000 Ordinary shares of 5p	400	400
16,000,000 "A" non-voting ordinary shares of 5p	800	800
	<b>1,500</b>	<b>1,500</b>

The "A" non-voting ordinary shares do not entitle the holders to receive notice of or to attend or to vote, either in person or by proxy at any general meeting of the Company, but in all other respects rank pari passu with the ordinary shares of the Company.

A holding of the 7.5% cumulative preference shares entitles the holder, with effect from 6 April 1999, to a preference dividend at the rate of 7.5% per annum on the capital. The holder also has the right, either in a winding up or on a reduction of capital, to repayment of the capital paid up thereon, together with a sum equal to any arrears or deficiency of the cumulative dividend, calculated down to the date of repayment, plus a premium of 37.5p per share. This payment is in priority to any payment to the holders of any other class of shares. A holding confers no further rights to participate in the profits or assets of the Company.

A holder of cumulative preference shares has no right to receive notice of, or to attend or vote at, any general meeting of the Company except in the circumstances set out below. A holder is entitled to vote if, at the date of the notice convening the meeting, the dividend on such shares, or any part thereof, is six months in arrears. A holder is also entitled to vote on any resolution altering any object of the Company, varying the rights attaching to the cumulative preference shares, or affecting the winding up of the Company.

## Notes to the Accounts

### 18. Reserves

Group	Capital Reserve realised £000	Capital Reserve unrealised £000	Revenue Reserve £000
Balance at 1 April 1998	33,197	38,690	1,402
Revenue transferred to revenue reserve	-	-	158
Realised gains on investments	1,559	-	-
Transfer on disposal of investments	4,202	(4,202)	-
Decrease in unrealised appreciation on investments	-	(8,572)	-
Exchange gains on currency balances	16	8	-
Balance at 31 March 1999	38,974	25,924	1,560
Company	Capital Reserve realised £000	Capital Reserve unrealised £000	Revenue Reserve £000
Balance at 1 April 1998	33,197	39,015	1,077
Revenue transferred to revenue reserve	-	-	291
Realised gains on investments	1,559	-	-
Transfer on disposal of investments	4,202	(4,202)	-
Decrease in unrealised appreciation on investments	-	(8,572)	-
Exchange gains on currency balances	16	8	-
Decrease in value of subsidiary	-	(133)	-
Balance at 31 March 1999	38,974	26,116	1,368

### 19. Movement in Shareholders' Funds

	1999 £000	1998 £000
Total recognised (losses)/gains for the year	(5,807)	13,756
Dividends	(1,024)	(976)
Opening shareholders' funds	74,789	62,009
Closing shareholders' funds	67,958	74,789

### 20. Net Asset Value per Ordinary Share

	1999	1998
Net asset value per ordinary share	281.9p	310.4p

The net asset value per ordinary and "A" ordinary share is based on the net assets attributable to equity shareholders of £67,658,000 (1998: £74,489,000) and on 8,000,000 ordinary and 16,000,000 "A" ordinary shares in issue as at 31 March 1999 (1998: same).

## Notes to the Accounts

### 21. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	1999 £000	1998 £000
Net revenue return before finance costs and taxation	1,831	1,861
Increase in accrued income	(139)	(47)
Decrease/(increase) in other debtors	391	(340)
Decrease/(increase) in current asset investments	339	(1,277)
(Decrease)/increase in other creditors and accruals	(118)	168
Taxation on investment income	(329)	(281)
Net cash inflow from operating activities	1,975	84

### 22. Reconciliation of Net Cash Flow Movement to Movement in Net Debt

	1999 £000	1998 £000
Movement in net debt resulting from cash flows	2,278	1,772
Exchange movements	24	(14)
Movement in net debt in the period	2,302	1,758
Net debt at beginning of year	(3,262)	(5,020)
Net debt at end of year	(960)	(3,262)

Represented by:

	As at 1 April 1998 £000	Cash flows £000	Exchange movements £000	As at 31 March 1999 £000
Cash at bank	1,445	(929)	24	540
Bank loans and overdrafts	(4,707)	3,207	-	(1,500)
Net debt	(3,262)	2,278	24	(960)

### 23. Related Parties

Details of the relationship between the Company and Rea Brothers (Investment Management) Limited are disclosed in the Report of the Directors.

## Notes to the Accounts

### 24. Contingent Liabilities

	1999 £000	1998 £000
Unpaid liabilities on nil and part paid holdings	940	1,880

### 25. Risk Management

#### Background

The Group's financial instruments comprise securities, other investments, cash balances, and debtors and creditors that arise directly from its operations (for example, in respect of sales and purchases awaiting settlement and debtors for accrued income). The numerical disclosures below exclude short-term debtors and creditors.

The Group has little exposure to credit and cash flow risk. Fixed asset investments in the portfolio are subject to liquidity risk. This risk is taken into account by the investment manager when making investment decisions.

The principal risks the Group faces in its portfolio management activities are:

- foreign currency risk,
- interest rate risk,
- market price risk i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movements.

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

#### Policy

##### Market Price Risk

By the nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Investment Review.

##### Foreign Currency Risk

A proportion of the Group's portfolio is invested in overseas securities and their sterling value may be significantly affected by movements in foreign exchange rates. The Group does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions.

##### Interest Rate Risk

The Company's borrowings are at present short-term loans taken on a floating rate basis.

## Notes to the Accounts

### 25. Risk Management *continued*

#### Use of Derivatives

It is not the Group's policy to enter into derivative contracts.

#### Financial Assets of the Group

	Fixed Interest Investments £000	Non-Interest bearing Investments £000	Total Investments £000
Sterling	676	67,289	67,965
Other currencies	836	67	903
	1,512	67,356	68,868

The fixed interest rate assets have a weighted average life of 3.4 years and a weighted average interest rate of 6.4% per annum.

The non-interest bearing assets represent the equity element of the investment portfolio and property valued at £583,000.

#### Financial Liabilities

The Group's financial liabilities at 31 March 1999 are represented by £1,500,000 of short-term loans at floating interest rates based on the prevailing LIBOR rate plus an agreed margin. In addition, there is an undrawn facility of £4,000,000.

#### Currency Exposure

The currency denomination of the Group's financial assets and liabilities are shown above. Current assets and liabilities, which are excluded, are predominantly denominated in Sterling which is the accounting currency of the Group.

#### Primary Financial Instruments

Financial assets are included in the balance sheet at market values, which represent fair values.



## Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Finsbury Trust PLC will be held at the Wax Chandlers' Hall, Gresham Street, London EC2V 7AD on Wednesday 14 July 1999 at 12:00 noon, for the following purposes:

### Ordinary Business

- 1 To receive and consider the audited accounts and the Reports of the Directors for the year ended 31 March 1999.
- 2 To declare a final dividend.
- 3 To re-elect Michael Reeve, who retires by rotation, a Director of the Company for a period not to extend beyond the third Annual General Meeting following.
- 4 To re-appoint the Auditors.
- 5 To authorise the Directors to determine the remuneration of the Auditors.

### Special Business

To consider, and if thought fit, pass the following resolutions which will be proposed as special resolutions:

### Alterations to the Memorandum and Articles of Association

- 6 (1) THAT the Memorandum of Association of the Company be altered by the deletion of the existing clause 6 and the insertion of a new clause 6 as follows:  
  
"6 The Company shall not deal or trade in any properties or investments and any surplus arising on the realisation of any properties or investments shall be placed to the credit of a capital reserve fund and shall not be paid or transferred directly or indirectly by way of dividend bonus or otherwise to the Members, provided however that nothing in the foregoing provisions of this clause shall prevent the distribution of profits standing to the credit of any such capital reserve or capital reserve fund or arising from any reduction of share premium account or capital of the Company by way of redemption or purchase of any of the Company's own shares in accordance with the Companies Acts for the time being."
- (2) THAT the Articles of Association of the Company be altered by the deletion of the existing Article 132 and the insertion of a new article as follows:

### Capital Reserve

- "132 (1) Notwithstanding any of the provisions of the Company's Memorandum of Association or of these Articles any distribution as dividend of surpluses arising from the realisation of investments (within the meaning of section 842 of the Income and Corporation Taxes Act 1988) and, so long as the Company has given and not revoked notice under section 41 of the Companies Act 1980, section 266 of the Companies Act 1985 or other relevant provision of the Companies Acts in force at the date of such notice of its intention to carry on business as an investment company, any other distribution of the Company's capital profits is prohibited.
- (2) The Board shall maintain a reserve to be called the Capital Reserve.
- (3) All moneys realised on or derived from the sale, realisation or payment off of or other dealings with any capital assets of the Company in excess of the book value of such assets and all other moneys in the nature of accretion to capital shall in the absolute discretion of the Board be carried to the credit of the Capital Reserve or applied in providing for depreciation or contingencies.

## Notice of the Annual General Meeting

- (4) The Capital Reserve and any moneys so provided for depreciation or contingencies shall not be available for the payment of dividends (within the meaning of section 842 of the Income and Corporation Taxes Act 1988 (as amended)) or, so long as the Company has given and not revoked notice under section 41 of the Companies Act 1980, section 266 of the Companies Act 1985 or any other relevant provision of the Companies Acts in force at the date of such notice of its intention to carry on business as an investment company, the making of distributions but may be applied for any other purpose for which sums standing to the credit of any revenue reserve may be applied.
- (5) (a) Any expense, loss, interest or other charge or liability (or provision therefor) which the Board considers to relate to a capital item or which the Board otherwise considers appropriate to be debited to the Capital Reserve (including, without limitation, the whole or any part of any management fees incurred by the Company); and
- (b) any other losses realised on the sale, realisation or payment off of or other dealings with any capital assets and any depreciation in the value of any capital assets
- may be debited, together with any taxation relevant to capital transactions, to the Capital Reserve except insofar as the Board shall in its discretion decide to make good the same out of other funds of the Company.
- (6) Where any difficulty arises in regard to any distribution under this Article, the Board may settle the same as it thinks expedient and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members."

- 7 THAT the Articles of Association of the Company be altered by the deletion of the existing Article 1.5 and the insertion of a new article as follows:

### Directors' Fees

"1.5 Each of the directors shall be paid a fee at such a rate as may from time to time be determined by the board provided that the aggregate of all such fees so paid to directors (excluding amounts payable under any other Article or under any other paragraph of this Article) shall not exceed £100,000 per annum or such higher amount as may from time to time be determined by ordinary resolution of the company."

### Authority to Repurchase up to 14.99% of the "A" Non-Voting Ordinary Shares

#### 8 THAT

the Company be unconditionally authorised to make market purchases of up to an aggregate of 2,398,400 "A" non-voting ordinary shares of 5p each of the Company at a price (exclusive of expenses) which is:

- (a) not less than 5p per share; and

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## Notice of the Annual General Meeting

- (b) not more than 5% above the average of the middle-market quotations (as derived from the Daily Official List of the London Stock Exchange) for "A" non-voting ordinary shares of 5p each in the five business days immediately preceeding any such purchase;

AND THAT the authority conferred by this resolution shall expire on the date of the next Annual General Meeting (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date).

### Authority to Cancel the Preference Shares

#### 9 THAT:

- (1) The capital of the Company be reduced from £1,500,000 to £1,200,000 by cancelling and extinguishing all 300,000 of the 7.5 per cent. cumulative preference shares of £1 each in the capital of the Company (the "Preference Shares") and repaying the capital paid up on the Preference Shares so cancelled to the holders thereof together with all accruals of the fixed cumulative preference dividend in respect of such shares due to the date of repayment and together with a premium of 37.5p per share.
- (2) Upon the reduction of capital referred to in (1) above taking effect, the Company's Memorandum and Articles of Association be altered by the deletion of all references to the Preference Shares.

### Notes

#### 1. Attendance at Meeting

Ordinary and preference shareholders, proxies and authorised representatives of corporations which are ordinary or preference shareholders are entitled to attend the meeting. Shareholders' names must be entered on the register by 12.00 noon on 12 July 1999, so that they may have the right to vote at the meeting.

#### 2. Appointment of Proxies

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, upon a poll, to vote instead of him/her. A proxy need not also be a member.

To be valid, a proxy should be deposited at the office of the registrar of the Company by 12.00 noon on 12 July 1999. If an ordinary shareholder has completed a form of proxy this does not preclude him/her from attending and voting in person if he/she so wishes.

By order of the Board  
Rea Brothers Limited *Secretary*  
2 June 1999

Alderman's House  
Alderman's Walk  
London EC2M 3XR

## Private Investor Plans

Finsbury Trust PLC and six of the other Finsbury investment trusts participate in the **Finsbury Individual Savings Account (ISA)**, and all of the Finsbury investment trusts and the Finsbury International Hedge Investment Company Limited participate in the **Finsbury Investment Trust Savings Scheme**.

**The ISA features:**

- No tax on income or capital gains from shares in the scheme
- Flexibility to invest in up to three trusts in any one tax year
- £100 minimum monthly contribution
- £1,000 minimum lump sum contribution
- No initial charge
- No annual management charge
- 1% dealing charge
- No exit charge
- Automatic reinvestment of dividends, if required

**The Savings Scheme features:**

- £50 minimum monthly contribution
- No dealing charges
- Automatic reinvestment of dividends, if required
- £500 minimum initial lump sum contribution
- No maximum contributions
- Flexibility to invest in any combination of the Finsbury investment trusts

Please note that all investments into Finsbury Trust PLC through the ISA and Savings Scheme will be into the Company's 'A' ordinary shares.

**The Finsbury range:**

- |   |   |
|---|---|
| • Finsbury Growth Trust                           | • Finsbury Technology Trust                       |
| • Finsbury Income & Growth Investment Trust       | • Finsbury Trust                                  |
| • Finsbury International Hedge Investment Company | • Finsbury Worldwide Pharmaceutical Trust         |
| • Finsbury Smaller Companies Trust                | • Reabourne Merlin Life Sciences Investment Trust |

Should you require further copies of any Finsbury literature, please call our Investor Helpline on 0990 502017

Web Site address: <http://www.finsbury-asset.co.uk>

This page has been approved for the purposes of the Financial Services Act 1986 by  
Rea Brothers (Investment Management) Limited which is regulated by IMRO.

INSBURY

