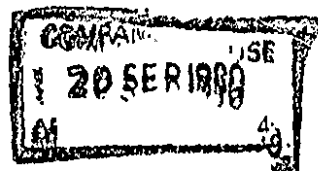
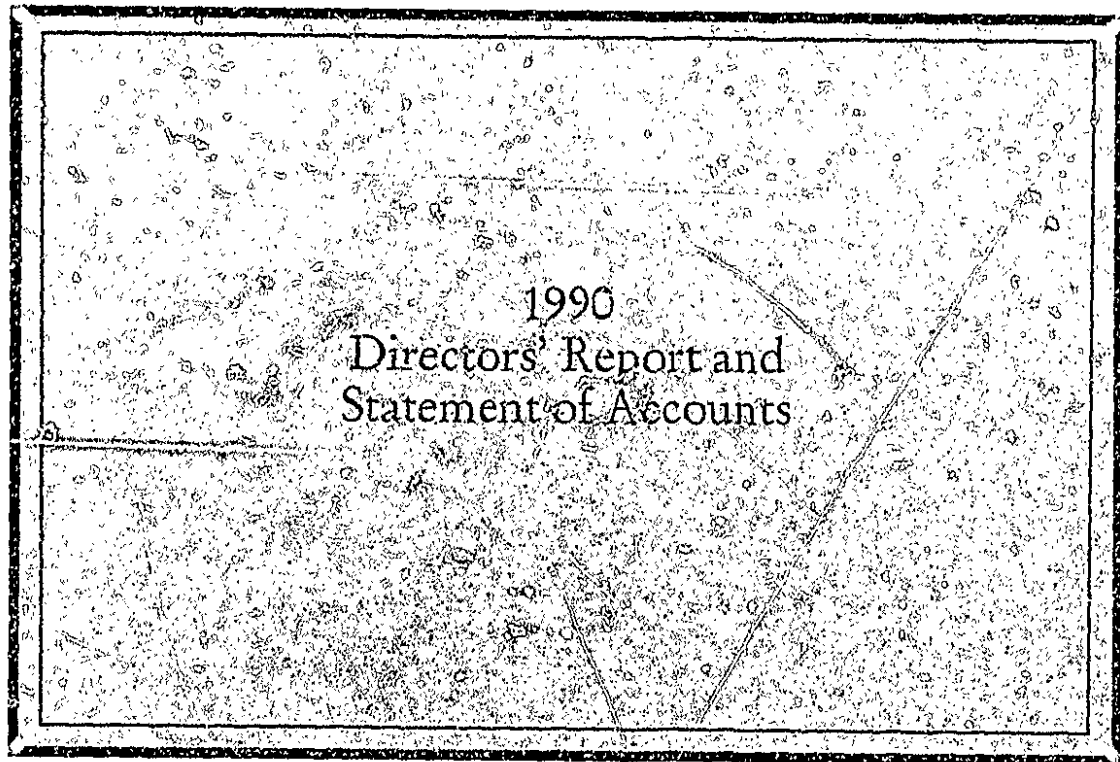


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SCOTTLAND MERCANTILE INVESTMENT TRUST PLC



Scottish and Mercantile Investment Trust PLC

invests in a portfolio of special situations, where the holding may
constitute a significant proportion of their equity.

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SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

COMPANY INFORMATION

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

Directors

JAMIE BORWICK, Chairman
THE EARL OF DARTMOUTH
E. C. TEIDEMAN
H. R. WALDUCK, J.P. M.A.

Secretary

J. W. L. FARRAR, F.C.A.

Managers

Finsbury Asset Management Limited
Neptune House
Triton Court
14 Finsbury Square
London EC2A 1BR

Auditors

Robson Rhodes
186 City Road
London EC1V 2NU

Solicitors

Bischoff & Co
Epworth House
25 City Road
London EC1Y 1AA

Bankers

Royal Bank of Scotland plc
67 Lombard Street
London EC3P 3DL

Rea Brothers Limited
Alderman's House
Alderman's Walk
London EC2M 3XR

Stockbrokers

UBS Phillips & Drew
100 Liverpool Street
London EC2M 2RH

Company No.

126107
(Registered in England)

Registered Office

Neptune House
Triton Court
14 Finsbury Square
London EC2A 1BR

Registrars

Stentiford Close Registrars Limited
Broseley House
Newlands Drive
Witham
Essex CM8 2UL

NOTICE OF ANNUAL GENERAL MEETING

1990

Notice is hereby given that an Annual General Meeting of *SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC* will be held at The Imperial Hotel, Russell Square, London WC1 on Monday, 20th August, 1990 at 12.00 noon, for the following purposes:


1. To receive and consider the audited accounts for the year ended 31st March, 1990 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To elect a director:

Lord Dartmouth retires by rotation and, being eligible, offers himself for re-election.
4. To reappoint the Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

Neptune House
Triton Court
14 Finsbury Square
London EC2A 1BR

26th July, 1990

By order of the Board

 J. W. L. Farrar
Secretary

Notes

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. 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 not less than 48 hours before the time of the meeting. 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.

Payment of Final Dividend

If approved, the dividend will be paid on 20th August, 1990 to shareholders registered at the close of business on 19th July, 1990.

ANALYSIS OF INVESTMENT PORTFOLIO

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

On the basis of the market valuation at 31st March, 1990 the investments of the group were as follows:

	1990		1989	
	£	%	£	%
AT MARKET VALUE				
<u>Equities</u>				
Brewers & Distillers	869,000	2.96	825,950	2.91
Building Materials	760,200	2.59	987,000	3.48
Chemicals	548,000	1.87	295,000	1.04
Conglomerates	452,000	1.54	-	-
Contract/Construction	1,189,500	4.05	1,710,250	6.02
Electronics	414,025	1.41	654,598	2.30
Health & Household	1,309,440	4.46	395,000	1.39
Holding Companies	-	-	179,947	0.63
Insurance Brokers	315,000	1.07	-	-
Insurance (Life)	497,500	1.69	-	-
Investment Trusts	6,546,990	22.28	6,826,196	24.04
Leisure	2,285,500	7.78	1,631,800	5.75
Mechanical Engineering	435,613	1.48	407,713	1.44
Merchant Banks	2,336,535	7.95	3,384,534	11.92
Metals & Metal forming	47,581	0.16	52,237	0.18
Mining Finance	607,996	2.07	313,800	1.11
Miscellaneous Financial	-	-	252,000	0.89
Oil & Gas	456,000	1.55	385,000	1.36
Overseas Traders	1,699,840	5.79	1,387,520	4.89
Paper & Packaging	298,000	1.01	-	-
Property	397,720	1.35	795,024	2.80
Publishing & Printing	695,000	2.37	702,000	2.47
Shipping & Transport	4,109,720	13.99	4,411,230	15.54
Stores	394,000	1.34	704,000	2.48
Textiles	603,375	2.05	596,000	2.10
<u>Total Listed Equities</u>	<u>27,268,535</u>	<u>92.81</u>	<u>26,896,799</u>	<u>94.74</u>
<u>Unlisted Equities</u>	<u>757,057</u>	<u>2.58</u>	<u>1,281,825</u>	<u>4.51</u>
<u>Total Equities</u>	<u>28,025,592</u>	<u>95.39</u>	<u>28,178,624</u>	<u>99.25</u>
<u>Warrants</u>	<u>180,000</u>	<u>0.61</u>	<u>-</u>	<u>-</u>
<u>Direct Property Investment</u>	<u>1,175,000</u>	<u>4.00</u>	<u>213,700</u>	<u>0.75</u>
	<u>29,380,592</u>	<u>100.00</u>	<u>28,392,324</u>	<u>100.00</u>

GEOGRAPHICAL DISTRIBUTION

<u>United Kingdom</u>	28,071,418	95.78	26,402,839	92.99
<u>U.S.A.</u>	629,825	2.15	1,397,068	4.92
<u>Greece</u>	607,349	2.07	592,417	2.09
	<u>£29,308,592</u>	<u>100.00</u>	<u>£28,392,324</u>	<u>100.00</u>

ANALYSIS OF LARGE INVESTMENTS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

at 31st March, 1990

A summary of the largest investments of the group by market value as at 31st March, 1990 is as follows:

	Market Value 1990 £
Scottish Cities Investment Trust PLC	5,939,563
Ocean Wilsons (Holdings) PLC	2,451,570
Rea Brothers Group PLC	2,016,535
Stocklake Holdings PLC	1,699,840
Thames Television PLC	1,012,000
Eurotunnel PLC	829,500
Manders (Holdings) PLC	760,200
Pearson PLC	695,000
RTZ Corporation plc	607,996
Lancashire & London Investment Trust PLC	607,428
Hellespont Tankers Ltd (unlisted at cost)	607,349
Huntingdon International Holdings PLC	606,000
Grand Metropolitan PLC	585,000
Rosehaugh PLC	534,000
Courtaulds PLC	505,500
	<u>19,457,481</u>
Percentage of total investments	66.2%

RECORD OF NET ASSETS AND DIVIDENDS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

years ended 31st March

Years ended 31st March	Gross Dividends per Ordinary and 'A' Ordinary 5p Share	Net Dividends per Ordinary and 'A' Ordinary 5p Share	Net Assets per Ordinary and 'A' Ordinary 5p Share
1981	3.100p	2.17p	55.086p
1982	1.971p	1.38p	51.030p
1983	2.200p	1.54p	67.306p
1984	2.200p	1.54p	80.888p
1985	4.000p	2.80p	89.466p
1986	6.366p	4.50p	93.754p
1987	6.903p	5.00p	108.752p
1988	6.184p	4.60p	112.824p
1989	5.467p	4.10p	124.651p
1990	4.640p	3.48p	110.320p

Note

The market value of both the Ordinary and 'A' Ordinary 5p shares at 31st March, 1982 as adjusted for the subdivision of shares in September 1986 was 36.6p.

CHAIRMAN'S STATEMENT

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

New Accounting Basis

I am pleased to present the 1990 Accounts to you in a new form which shows our listed investments at their market value. The unrealised appreciation on these investments of £10.4m has been taken to "revaluation reserve" and we have restated the 1989 figures for the purposes of comparison on a like basis.

1990 Results

At the time we announced the Company's interim figures on 25th April, 1990 I warned that the change in our investment policy meant that it was unlikely that we would be able to match last year's level of earnings per share and so it has proved. Earnings per share for the year to 31st March, 1990 were 3.48p as compared with 4.11p last year. Your directors therefore propose a final dividend of 2.28p per ordinary and "A" ordinary share, making a total for the year of 3.48p per share compared to 4.11p for the previous year.

Most shareholders will be aware that stock markets worldwide had a significant downturn during the first three months of 1990, which was the last quarter of our financial year, with the result that the net asset value of your Company as at 31st March, 1990 was 110.32p per ordinary and "A" ordinary share, compared with 124.65p for the previous year. Markets have, of course, recovered substantially since then and I am pleased to be able to tell you that the net asset value of your shares had risen to 115.8p by 30th June, 1990.

Group Structure

Your directors and the trust's managers, Finsbury Asset Management Limited, have been conscious for some time that the somewhat complex shareholding structure between your company and the other companies managed by Finsbury may have blurred accurate investor perception of the respective companies. This would naturally lead to a greater discount on the underlying asset value of the shares than might be found in other investment trusts. We have, therefore, embarked on a programme of simplifying this structure as far as is practically possible.

The first step was the liquidation of Northern Shipbuilding & Industrial Holdings Limited, and the distribution of its assets to its shareholders, which took place during the financial year under review. Since the end of that year your Company's subsidiary, Fashion & General Investments PLC, has also been placed into liquidation, from which we will receive its shareholdings in Rea Brothers PLC, Ocean Wilsons (Holdings) PLC, and various other assets in addition to a cash distribution. There will be further steps taken in this process designed to delineate more clearly your Company's specialisation in longer term "special situation" investments, whereas our associate company Scottish Cities Investment Trust PLC will concentrate primarily on British "blue chip" companies, and Lancashire & London Investment Trust PLC will concentrate primarily on British smaller companies.

Major Holdings

We have fully supported the changes at Rea Brothers Group PLC and are pleased at the continuing progress that its chairman mentions in his recent annual report. We had recognised, when the restructuring of Rea Brothers Group PLC began in 1988, that it would take some time for the benefits to flow through and then be reflected in the price of its shares.

CHAIRMAN'S STATEMENT

(continued)

Following the recent change in government in Brazil and the introduction of drastic new economic measures, it is perhaps not surprising that investors are showing caution with regard to that country and its particular uncertainties, and this continues to be reflected in the share price of Ocean Wilsons (Holdings) PLC. However the Brazilian trading subsidiaries have shown improved trading results, despite the very difficult local conditions, and the company increased its dividend by 10% and showed a significant increase in the net asset value of its shares.

Stocklake Holdings PLC had another successful year with pre tax profits up nearly 30% and a 20% increase in the dividend total for the year. Its long established East European connections should prove of particular interest in the years ahead.

Your company's unlisted investment of US\$1 million in Hellespont Tankers Limited has returned an income of 14% and, using a valuation of the tankers at 31st December, 1989, shows an underlying asset value in excess of 150% of cost, although we continue to carry it in our accounts at cost.

The Future

You, directors believe that the increasingly focused investment policy of your Company, and the continuing process of simplifying the corporate structure, should lead to increased investor interest by private and institutional shareholder alike, which already appears to be borne out by a number of new shareholders on the register of your Company. Despite current political and economic uncertainties we believe there continues to be a number of interesting investment opportunities available and we intend to secure our share.

JAMIE BORWICK

REPORT OF THE DIRECTORS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

The directors present their Report and Statement of Accounts for the year ended 31st March, 1990.

Status and Activities

During the year under review the Company has operated as an investment company and it qualifies as an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval for such treatment has been given up to 31st March, 1989 and the Company has subsequently directed its affairs so as to enable it to continue to obtain such approval. The Directors are of the opinion that the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

There has been no significant change in the group's activities during the year and the directors anticipate that the group will continue to operate in the same manner during the current year. Since the end of the year proposals for the voluntary liquidation of the Company's 76.4% owned subsidiary company, Fashion & General Investment PLC have been circulated to the members of that company.

Results and Dividends

The results attributable to shareholders for the year are as follows:

	1990 £	1989 £
Revenue from ordinary activities before taxation	1,220,958	1,443,082
Taxation	311,955	372,243
	909,003	1,070,839
Minority interests	57,230	69,855
	851,773	1,000,984
Dividends		
Preference shares	15,750	15,750
Ordinary and 'A' non-voting ordinary shares		
Interim paid of 1.2p	288,000	336,000
(1989: 1.4p) per share		
Final proposed of 2.28p	547,200	648,000
(1989: 2.7p) per share		
	850,950	999,750
Retained revenue proposed to be transferred to Distributable Reserves	£823	£1,234

Charitable and Political Contributions

No charitable or political contributions were made by the group during the year.

REPORT OF THE DIRECTORS

(continued)

Investments

The market value of the Group's listed investments at 31st March, 1990 was £27,268,535 (1989: £26,896,799) showing an excess of £9,776,974 (1989: £13,473,968) over book cost. Taking these investments at this valuation, the net assets attributable to each ordinary share amounted to 110.3p at 31st March, 1990 compared with 124.7p at 31st March, 1989.

Management

Finsbury Asset Management Limited, (Finsbury), act as managers to the group and provide management and administrative services to the Company. Finsbury levies management fees at an annual rate of one half of one per cent of the valuation of the Company's portfolio after deducting investments of more than five per cent of any class of equity capital in any other investment trust managed by Finsbury. In addition, Finsbury charges a management fee to the dealing subsidiary of twenty per cent of the pre-tax profits of that company after adjusting for a notional interest charge on capital employed. Secretarial and accounting services provided by Finsbury are charged at a fixed fee of £20,000 per annum and a proportion of the office costs incurred by Finsbury are recharged to the Company. The management agreement between Finsbury and the Company may be terminated by either party giving notice in January to the other party of not less than twelve months duration. Mr. E. C. Teideman is a director of Finsbury.

Directors

The present members of the Board are shown on page 2.

Under the Articles of Association Lord Dartmouth retires by rotation, and being eligible, offers himself for re-election.

The interests of directors and their families in the Company and its subsidiary, Fashion & General Investment PLC, at 31st March, 1990 were as set out below:

	THE COMPANY			
	Ordinary shares		'A' non-voting Ordinary shares	
	1990	1989	1990	1989
Mr. Jamie Borwick (beneficial)	2,000	2,000	—	—
The Earl of Dartmouth (beneficial)	50,000	50,000	150,000	150,000
Mr. E. C. Teideman (beneficial)	2,000	2,000	—	—
Mr. H. R. Walduck	—	—	12,500	—

None of the directors had any disclosable interest in the shares of Fashion & General Investment Trust PLC.

There have been no changes in the interests of the directors up to the date of this report.

None of the directors has any service contract with the Company or any of its subsidiaries.

There were no other contracts subsisting during or at the end of the Company's financial year in which a director is or was materially interested.

REPORT OF THE DIRECTORS

(continued)

Substantial Shareholding

At the date of this report the following interests in the 5p ordinary shares of the Company had been declared:

	No. of shares	% of shares
South American Finance and Investment, Inc. (and subsidiary company)	3,994,350	49.93%
Anglo Scandinavian Investment Trust PLC	521,250	6.52%
Scottish Cities Investment Trust PLC	382,500	4.78%
Lancashire and London Investment Trust PLC	318,645	3.98%

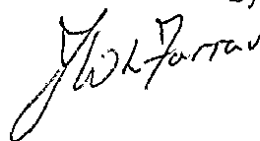
The Company has been advised that Anstalt für Handel und Anlagen owns the whole of the issued share capital of South American Finance and Investment Inc.

Auditors

Robson Rhodes have expressed their willingness to continue to act as auditors to the Company and a resolution for their reappointment will be submitted at the forthcoming Annual General Meeting.

Neptune House
Triton Court
14 Finsbury Square
London EC2A 1BR

By order of the Board



J. W. L. Farrar,
Secretary

3rd July, 1990

Profile of Non-executive directors

Mr. Jamie Borwick

Mr. Jamie Borwick is aged 35 years and joined the board in 1984. He is managing director of Manganese Bronze Holdings Plc and a non-executive director of Stocklake Holdings PLC.

Lord Dartmouth

Lord Dartmouth is aged 66 years and joined the board in 1977. He is a director of Ocean Wilsons (Holdings) PLC, Lancashire & London Investment Trust Plc and Scottish Cities Investment Trust PLC.

Mr. E. C. Teideman

Mr. E. C. Teideman is aged 60 years and joined the board in 1976. He is a director of Ocean Wilsons (Holdings) PLC.

Mr. H. R. Walduck

Mr. H. R. Walduck is aged 48 years and joined the board in 1987. He is a director of The Imperial London Hotels Limited.

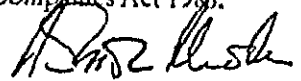
REPORT OF THE AUDITORS

TO THE MEMBERS OF SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

We have audited the financial statements on pages 12 to 22 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 31st March, 1990 and of the revenue and source and application of funds of the Group for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

London
3rd July, 1990



ROBSON RHODES
Chartered Accountants

ACCOUNTING POLICIES

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

The principal accounting policies adopted by the Company and its subsidiaries in the preparation of its accounts are as follows:

1. Accounting Convention

The accounts have been prepared under the historical cost convention except where stated in 3 below.

2. Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiary companies all made up to 31st March, 1990.

3. Investments held as Fixed Assets

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

- (a) Listed investments are stated at closing middle market prices on recognised stock exchanges. This represents a change in accounting policy and comparative figures have been restated accordingly.
- (b) Unlisted investments are stated at the lower of cost or directors' valuation.

4. Investments held as Current Assets

Investments are stated individually at the lower of cost and market value. Unlisted investments are stated individually at the lower of cost and directors' valuation.

5. Investment Income

Dividends and interest on investments in shares and securities (and any related tax credits) are taken into account as and when they become receivable. The discount on Treasury Bills is credited to revenue over the period the Bill is held.

6. Taxation

The charge for taxation is based on the profit for the year and takes into account 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.

7. Reserves

All gains and losses on realisation of fixed asset investments are dealt with through non-distributable reserves after providing for expenses and taxation on capital gains where applicable.

8. Foreign Currencies

Transactions on foreign currencies are recorded at the rate of exchange applicable on the dates of such transactions. Assets and liabilities denominated in foreign currencies at the year end have been expressed in sterling at the rates of exchange ruling at that date.

9. Significant Holding

The company's share of the results of Scottish Cities Investment Trust PLC in which it holds more than 20% of the equity voting rights are not included in the consolidated accounts for the reasons stated in note 12, which also sets out details of the retained profits and reserves of this company since acquisition. The investment is stated at valuation as described in note 3 above.

CONSOLIDATED REVENUE ACCOUNT

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

for the year ended 31st March, 1990

	Note	1990 £	1989 £
Income from fixed asset investments	1	1,176,997	1,428,142
Interest receivable	2	294,924	329,523
Other operating income	3	214,441	71,357
		<u>1,686,362</u>	<u>1,829,022</u>
Interest payable	4	148,761	85,976
		<u>1,537,601</u>	<u>1,743,046</u>
Administrative expenses	5	316,643	299,964
<u>Revenue from Ordinary Activities</u>			
<u>before taxation</u>		1,220,958	1,443,082
Taxation charge	7	311,955	372,243
<u>Revenue from Ordinary Activities</u>			
<u>after Taxation</u>		909,003	1,070,839
Minority interests		57,230	69,855
<u>Revenue Attributable to Shareholders</u>	8	851,773	1,000,984
Dividends	9	850,950	999,750
Transfer to reserves	19	£823	£1,234
<u>Earnings Per Share</u>	10	3.48p	4.11p

The notes on page 12 and pages 17 to 22 form part of these accounts.

CONSOLIDATED BALANCE SHEET

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

at 31st March, 1990

	Note	1990 £	1989 £
<u>Fixed Asset Investments</u>	13	<u>29,380,592</u>	<u>28,392,324</u>
<u>Current Assets</u>			
Debtors	14	345,652	622,407
Investments	15	157,550	171,315
Cash at bank		<u>826,447</u>	<u>7,025,423</u>
		<u>1,329,649</u>	<u>7,819,145</u>
<u>Creditors</u>			
Amounts falling due within one year	16	<u>(2,263,220)</u>	<u>(3,819,985)</u>
<u>Net Current Assets/(Liabilities)</u>		<u>(933,571)</u>	<u>3,999,160</u>
<u>Total Assets less Current Liabilities</u>		<u>28,447,021</u>	<u>32,391,484</u>
<u>Creditors</u>			
Amount falling due after one year		<u>(20,156)</u>	<u>(20,270)</u>
<u>Net Assets</u>		<u><u>£28,426,865</u></u>	<u><u>£32,371,214</u></u>
<u>Capital and Reserves</u>			
Called up share capital	18	1,500,000	1,500,000
Revaluation reserve	19	10,387,147	14,324,513
Capital reserves	19	13,924,542	13,427,553
Revenue reserves	19	<u>965,167</u>	<u>964,344</u>
		<u>26,776,856</u>	<u>30,216,410</u>
<u>Minority Interests</u>		<u>1,650,009</u>	<u>2,154,804</u>
		<u><u>£28,426,865</u></u>	<u><u>£32,371,214</u></u>

The notes on page 12 and pages 17 to 22 form part of these accounts.

COMPANY BALANCE SHEET

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

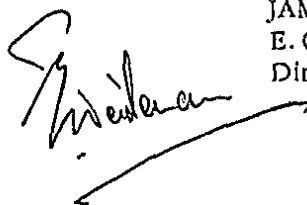
at 31st March, 1990

	Note	1990 £	1989 £
Fixed Asset Investments			
Shares in group companies	11	785,265	785,265
Treasury bills			-
Other investments	13	22,586,087	21,370,028
		<u>23,371,352</u>	<u>22,155,293</u>
Current Assets			
Debtors	14	654,921	530,041
Cash at bank		211,035	4,304,502
		<u>815,956</u>	<u>4,834,543</u>
Creditors			
Amounts falling due within one year	16	(2,072,643)	(3,069,683)
Net Current Assets/(Liabilities)		<u>(1,256,687)</u>	<u>1,764,860</u>
		<u><u>£22,114,665</u></u>	<u><u>£23,920,153</u></u>
Capital and Reserves			
Called up share capital	18	1,500,000	1,500,000
Revaluation reserve	19	10,134,016	12,778,790
Capital reserves	19	9,669,423	8,828,425
Revenue Reserve	19	811,226	812,938
		<u><u>£22,114,665</u></u>	<u><u>£23,920,153</u></u>

On behalf of the Board



JAMIE BORWICK
E. C. TEIDEMAN
Directors



The notes on page 12 and pages 17 to 22 form part of these accounts.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

for the year ended 31st March, 1990

	1990 £	1989 £
DERIVED FROM REVENUE		
<u>Source of Funds</u>		
Revenue from ordinary activities before taxation	1,220,958	1,443,082
<u>Application of Funds</u>		
Taxation paid	(434,537)	(567,708)
Dividends paid	(951,750)	(1,119,750)
Dividends paid to minority shareholders in subsidiaries	(59,105)	(69,767)
<u>Total Funds (Absorbed) from Revenue</u>	<u>(224,434)</u>	<u>(314,143)</u>
DERIVED FROM CAPITAL		
<u>Source of Funds</u>		
Sales of investments	4,085,054	4,432,688
Loan redemption proceeds	—	6,760,900
Adjustment for items not involving the movement of funds		
Translation difference on overseas investments	(16,541)	(113,330)
Sale of subsidiary		(3,325)
<u>Application of Funds</u>		
Purchase of investments	(9,002,566)	(7,913,211)
Repayment of Debenture Stock	—	—
<u>Total Funds Generated/(Absorbed) from Capital</u>	<u>£(4,934,053)</u>	<u>3,163,722</u>
TOTAL FUNDS GENERATED/(ABSORBED)	£(5,158,487)	£2,849,579
INCREASE/(DECREASE) IN LIQUIDITY		
Debtors	(290,615)	120,786
Creditors	1,156,595	249,272
Investments held as current assets	(13,766)	125,065
	852,214	495,123
<u>Movement in Net Liquid Funds</u>		
Short term bank loans	188,275	(1,014,039)
Treasury bills	0	(3,170,542)
Cash at bank	(6,198,976)	6,539,037
	<u>£(5,158,487)</u>	<u>£2,849,579</u>

NOTES TO THE ACCOUNTS

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC AND SUBSIDIARY COMPANIES

	1990 £	1989 £
1. Income from Fixed Asset Investments		
Dividend Income from Investments		
United Kingdom listed companies	1,073,991	812,773
United Kingdom unlisted companies	—	33,067
Overseas listed companies	11,302	39,128
Overseas unlisted companies	90,337	13,215
	<u>1,175,630</u>	<u>898,183</u>
Interest Income from Investments		
Overseas unlisted companies	—	142,078
United Kingdom listed companies	1,367	—
	<u>1,176,997</u>	<u>1,040,261</u>
Income from Treasury and other bills		
United Kingdom	—	387,881
Overseas	—	—
	<u>£1,176,997</u>	<u>£1,428,142</u>
2. Interest Receivable		
Other interest	19,283	—
Bank interest	275,641	329,523
	<u>£294,924</u>	<u>£329,523</u>
3. Other Operating Income		
Rental income	12,967	—
Net profits on investment dealing	168,673	44,371
Commission receivable	29,692	26,458
Dealing company income from listed investments		
United Kingdom listed companies	380	—
Overseas companies	2,729	528
	<u>£214,441</u>	<u>£71,357</u>
The figure for 1990 has been reduced by £52,885 being the proportion of the profits on investment dealing payable to Finsbury Asset Management Limited		
4. Interest Payable		
Bank interest (including foreign currency loans)	19,879	85,976
Other interest	128,882	—
	<u>£148,761</u>	<u>£85,976</u>
5. Administrative Expenses		
Management fee	137,506	118,732
Directors emoluments (see note 6)	18,500	16,500
Audit fees	12,869	11,951
Other expenses	147,768	152,781
	<u>£316,643</u>	<u>£299,964</u>

NOTES TO THE ACCOUNTS

(continued)

6. Directors Emoluments

	1990 £	1989 £
Chairman's fees: Mr. Jamie Borwick, who was also the highest paid director.	<u>£5,000</u>	<u>£4,000</u>

The emoluments of the three (1989: three) other directors were in the range £Nil to £5,000 (1989: same).

7. Taxation Charge

	1990 £	1989 £
Tax attributable to UK dividends	268,593	210,951
Corporation tax at 35% (1988: 35%) on profits for the year	40,844	215,490
Deferred taxation	(4,871)	(8,587)
	<u>304,566</u>	<u>417,854</u>
Adjustment for prior years	7,389	(45,611)
	<u>£311,955</u>	<u>£372,243</u>

The provision for deferred taxation has been offset against advance corporation tax recoverable.

8. Revenue Attributable to Shareholders

The revenue attributable to the Ordinary and 'A' Ordinary shareholders dealt with in the accounts of the holding company is £833,489 (1989: £999,898). As permitted by section 228(7) of the Companies Act 1985, no separate revenue account for the holding company has been included in these accounts.

9. Dividends

	1990 £	1989 £
Preference shares	15,750	15,750
Ordinary and 'A' Ordinary shares		
Interim paid—1.2p (1989: 1.4p)	288,000	336,000
Final proposed—2.28p (1989: 2.7p)	547,200	648,000
	<u>£850,950</u>	<u>£999,750</u>

10. Earnings Per Share

The calculation of earnings per Ordinary and 'A' Ordinary shares is based on revenue on ordinary activities after taxation, minority interests and preference dividends of £836,023 (1989: £985,234) and 24,000,000 Ordinary and 'A' Ordinary shares in issue throughout the two years ended 31st March, 1990.

NOTES TO THE ACCOUNTS

(continued)

11. Shares in Group Companies

The Company's investments in subsidiaries is shown in note 13. The following companies, which are all incorporated and operate in Great Britain, are the Company's subsidiaries:

Company	Nature of business	Class of share held	Percentage holding
Listed			
Fashion & General Investment PLC	Approved investment trust	Ordinary	76.41%
Unlisted			
Jastlin Limited*	Investment holding company	Ordinary	76.41%
Fashion & General (Finance) Limited*	Investment dealing company	Ordinary	76.41%
Consolidated Investment Funds Limited	Investment dealing company	Ordinary	100.00%

The shares in companies marked with an * are held by Fashion & General Investment PLC.

12. Significant Holdings

The Company's major investments exceeding 10% of the issued share capital of those companies, which are all incorporated and operate in Great Britain, are as follows:

Company	Nature of business	Class of share held	Percentage holding
Scottish Cities Investment Trust PLC	Approved investment trust	Ordinary	49.93%
		'A' Ordinary	24.29%
Finsbury Group Limited	Financial service company	Ordinary	19.00%
Stocklake Holdings PLC	Investment holding company	Ordinary	12.16%

All the companies are registered in England apart from Scottish Cities Investment Trust PLC which is registered in Scotland.

The Company has not applied the equity method of accounting for the company in which it holds 20% or more of the equity voting rights as the company does not participate in their commercial or financial decisions and holds the shares as investments. The relevant information that would have been recorded in the accounts of the Company for the year ended 31st March, 1990 if equity accounting had been adopted is:

Scottish Cities Investment Trust PLC—year ended 30th September, 1989

	1989 £	1988 £
Revenue from ordinary activities before taxation attributable to the Company's interest of 29.0% (1988: 29.6%)	311,349	392,381
Taxation	77,939	115,146
	233,410	277,235
Minority interest	1,858	1,858
	231,552	275,377
Dividends due to the Group	229,320	259,875
Group's share of retained profit for the year	£2,232	£15,502
Proportion of post acquisition reserves	£2,897,129	£2,320,029
Aggregate amount of allotted share capital and reserves	£16,548,275	£14,558,277

NOTES TO THE ACCOUNTS

(continued)

13. Fixed Asset Investments

(a) Analysis of Investments

	1990		1989	
	Group	Company	Group	Company
Listed in the United Kingdom	26,681,790	21,319,495	25,499,733	18,985,121
Listed overseas	766,745	629,825	1,397,068	1,123,371
	27,448,535	21,949,320	26,896,801	20,108,492
Direct Property	1,175,000	-	213,697	-
Unlisted in the				
United Kingdom	149,708	29,418	689,409	669,119
Unlisted overseas	607,349	607,349	592,417	592,417
	<u>£29,380,592</u>	<u>£22,586,087</u>	<u>£28,392,324</u>	<u>£21,370,028</u>

(b) Movement on Investments

	Valuation	Cost
Group		
Balance 31st April, 1989	28,392,324	14,916,656
Additions at cost	9,002,566	9,002,565
Disposals proceeds/cost	(4,085,054)	(4,028,870)
Realised gains on sales	624,185	-
Decrease in unrealised appreciation	(4,336,532)	-
Investments written down	(233,438)	(233,438)
Translation difference	16,541	16,541
Balance at 31st March, 1990	<u>£29,380,592</u>	<u>£19,673,454</u>
Company		
Balance 31st April, 1989	21,370,028	9,917,419
Additions at cost	6,877,182	6,877,182
Disposals proceeds/cost	(3,873,878)	(3,600,878)
Realised gains on sales	840,988	-
Decrease in unrealised appreciation	(2,644,774)	-
Translation difference	16,541	16,541
Balance at 31st March, 1990	<u>£22,586,087</u>	<u>£13,210,252</u>

(c) Analysis of shares in group companies

	Company at cost		Company at valuation	
	1990 £	1989 £	1990 £	1989 £
Shares in group companies				
Listed in the United Kingdom	782,733	782,733	4,584,316	5,902,307
Unlisted in the United Kingdom	2,532	2,532	2,532	2,532
	<u>£785,265</u>	<u>£785,265</u>	<u>£4,586,848</u>	<u>£5,904,839</u>

NOTES TO THE ACCOUNTS

(continued)

14. Debtors

	Group		Company	
	1990 £	1989 £	1990 £	1989 £
Amount owed by group companies	-	-	156,429	285,172
Prepayments and accrued income	105,172	466,574	224,160	190,323
Advance corporation tax recoverable	111,552	84,101	111,552	54,546
Corporation tax recoverable	16,148	71,732	-	-
Sales for future settlement	112,780	-	112,780	-
	<u>£345,652</u>	<u>£622,407</u>	<u>£604,921</u>	<u>£530,041</u>

15. Investments (Held by Dealing Company)

	Market value		Book value	
	1990 £	1989 £	1990 £	1989 £
Listed in the United Kingdom	<u>£157,550</u>	<u>£171,315</u>	<u>£157,550</u>	<u>£171,315</u>

16. Creditors (Amounts Falling Due Within One Year)

	Group		Company	
	1990 £	1989 £	1990 £	1989 £
Amounts owed to group company	-	-	5,719	-
Bank loans and overdrafts	1,261,155	1,449,431	1,261,022	1,278,882
Other creditors	136,488	1,365,235	75,430	920,063
Corporation tax payable	30,798	149,198	18,360	102,134
Advance corporation tax payable	170,889	140,166	122,292	81,120
Accruals and deferred income	116,690	67,925	42,620	39,484
Proposed dividend	547,200	648,000	547,200	648,000
	<u>£2,263,220</u>	<u>£3,819,985</u>	<u>£2,072,643</u>	<u>£3,069,683</u>

17. Guarantees

There is a contingent liability in respect of cross guarantees given by the Company and its fully owned subsidiary, Consolidated Investment Funds Limited, to the Royal Bank of Scotland plc in respect of facilities amounting to £5,000,000.

At 31st March, 1990 these facilities were utilised as follows:

Scottish and Mercantile Investment Trust PLC	£1,261,022
Consolidated Investment Funds Limited	£133

Fashion & General Investment PLC

There is a similar contingent liability in respect of cross guarantees given by Fashion & General Investment PLC and its fully owned subsidiary Fashion & General Finance Limited to the Royal Bank of Scotland plc in respect of facilities amounting to £2,500,000. At 31st March, 1990 neither company had drawn down funds under this facility.

NOTES TO THE ACCOUNTS

(continued)

18. Share Capital

	1990 £	1989 £
Authorised, allotted, called up and fully paid		
300,000 7.5% (now 5.25% plus tax credit)	300,000	300,000
Cumulative preference shares of £1 each	400,000	400,000
8,000,000 Ordinary shares of 5p each	800,000	800,000
16,000,000 'A' non-voting ordinary shares of 5p each	£1,500,000	£1,500,000

19. Reserves

	(Restated) Revaluation Reserve £	Capital Reserve £	Revenue Reserve £
(a) Group			
At 1st April, 1989	14,324,513	13,427,553	964,344
Revenue surplus	—	—	823
Decrease in unrealised appreciation on investments	(4,336,532)	—	—
Net surplus on disposals of investments after write downs	—	390,756	—
	9,987,981	13,818,309	965,167
Minority interest in movement on reserves	399,166	106,233	—
At 31st March, 1990	£10,387,147	£13,924,542	£965,167

The capital reserve is shown after deducting goodwill arising on consolidation of £532,757 and adding capital reserve arising on consolidation of £96,207.

	(Restated) Revaluation Reserve £	Capital Reserve £	Revenue Reserve £
(b) Company			
At 1st April, 1989	12,778,790	8,828,425	812,938
Revenue surplus	—	—	(1,712)
Decrease in unrealised appreciation on investments	(2,644,774)	—	—
Net surplus on disposals of investments	—	840,998	—
At 31st March, 1990	£10,134,016	£9,669,423	£811,226

20. Approval of Accounts

The report and accounts were approved at a meeting of the board of directors of the Company held on 3rd July, 1990.

SCOTTISH AND MERCANTILE INVESTMENT TRUST PLC

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