

2470301



Abtrust
Preferred Income
Investment Trust PLC

Capital return or income from UK shares and fixed interest stocks



Annual Report & Accounts
1997

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Financial Calendar

| | |
|-------------------------|--|
| 24 July 1997 | Announcement of results for year ended 31 May 1997 |
| 10 December 1997 | Annual General Meeting (for Ordinary shareholders only) |
| 16 December 1997 | Announcement of interim results for six months ending 30 November 1997 |



Abtrust
Preferred Income
Investment Trust PLC

Corporate Policy

Investment Objective and Benchmark Index

The Company invests mainly in securities which produce high franked investment yields, including convertible preference shares, preference shares and income shares of other investment trusts to produce a high gross portfolio yield together with an exposure to equity markets.

Structure

The Company has a capital structure comprising Ordinary income shares (wholly-owned by Abtrust New Preferred Income Investment Trust PLC and Zero-dividend preference shares listed on the London Stock Exchange. Further details are included inside the back cover.

Duration

Under the Articles of Association, the Directors are obliged, unless absolved by a Special Resolution of the Company and by resolution of both separate classes of shares, to convene an Extraordinary General Meeting of the Company, to be held on 30 May 1998, at which a resolution will be proposed to wind up the Company.

Corporate Information

Directors

Peter Rintoul, Chairman

Ken Hall

Robert Wild

Managers

Aberdeen Asset Managers Limited
10 Queen's Terrace
Aberdeen AB10 1QG

Solicitors

Lawrence Graham
190 Strand
London WC2R 1JN

Secretaries

Aberdeen Asset Management PLC
10 Queen's Terrace
Aberdeen AB10 1QG

Stockbrokers

Greig Middleton & Co. Limited
30 Lombard Street
London EC3V 9EN

Registered Office

99 Charterhouse Street
London EC1M 6AB
Registration Number: 2470307

Auditors

KPMG Audit Plc
Chartered Accountants
37 Albyn Place
Aberdeen AB10 1JB

Registrars

Bank of Scotland
Registrar Department
Apex House, 9 Haddington Place
Edinburgh EH7 4AL

Bankers

Bank of Scotland
53 Castle Street
Aberdeen AB11 5AG

Board Members

Chairman

Peter Rintoul, aged 51, Chairman of the Company, has extensive experience of investment trust management, having been successively a director of Gartmore Investment Limited, chief executive of Grahams Rintoul & Company Limited and a director of Lazard Investors Limited. He is investment manager of Turcan Connell WS and a non-executive director of The Tor Investment Trust PLC.

Directors

Ken Hall, aged 41, began his career with stockbrokers Keith Bayley Rogers and spent 12 years with Capel-Cure Myers, heading up a private client investment team. Since 1993, he has been a divisional director of Carr Sheppards Limited and an independent trustee and director of News International Pension Trustee Limited.

Robert Wild, aged 63, was for 24 years a specialist in fixed income securities with Gilbert Eliot. In 1986 he became a senior director of Girozentrale Gilbert Elliott Limited, a position he held until his retirement in December 1990.

All of the Directors are non-executive and also comprise the Audit and Management Engagement Committees.

Performance Summary

| | 31.5.96 | 31.5.97 | Year on Year % |
|---|---------|---------|----------------------|
| Share information | | | |
| Net asset value per Ordinary income share | 81.29p | 82.90p | 1.98 |
| Net asset value per Zero-dividend preference share | 174.48p | 195.03p | 11.78 |
| Share price (mid market) per Zero-dividend preference share | 190.00p | 203.00p | 6.84 |
| Revenue and dividends | | | |
| Earnings per Ordinary income share | 15.79p | 17.67p | 11.91 |
| Dividends per Ordinary income share | 14.00p | 17.00p | 21.43 |
| Assets attributable to equity shareholders | £15.44m | £15.75m | 2.01 |

Summary of Net Assets

Based on Valuations at 31 May 1997

| | Equities % | Convertibles % | Total net assets % |
|--------------------------------|---------------|-------------------|-----------------------|
| Fixed asset investments | | | |
| General Manufacturing | 0.06 | 28.78 | 28.84 |
| Consumer Goods | — | 5.59 | 5.59 |
| Mineral Extraction | — | 1.66 | 1.66 |
| Services | — | 4.99 | 4.99 |
| Financials | — | 14.10 | 14.10 |
| Investment Trusts | 13.42 | — | 13.42 |
| | 13.48 | 55.12 | 68.60 |
| Preference shares | | | 10.66 |
| Redeemable preference shares | | | 8.08 |
| Unsecured loan stock | | | 12.53 |
| Total fixed asset investments | | | 99.87 |
| Cash | | | 2.88 |
| Other net liabilities | | | (2.75) |
| | | | 100.00 |

Chairman's Statement

On 28 January 1997 your Board made an announcement regarding a recommended share offer for your Company by Abtrust New Preferred Income Investment Trust PLC and related changes in the constitution of the Board.

As a result of the changes Derek Morgan, Martin Gilbert, Harry Hyman, Ian Marks and Neil Osborn resigned from your Company immediately prior to the publication of the formal offer documents on 17 February 1997 and were appointed as directors of the new offering company. Robert Wild remained a Director, while Kenneth Hall and I were appointed to your Board on that date, since when I have served as your Chairman.

The offer was highly successful such that, by 26 March, 96% of the Ordinary income shareholders had accepted so that the offer was then declared unconditional. As a result the Company is now a wholly owned subsidiary of the new company and your Board has, therefore, slightly postponed the date of the Annual General Meeting to coincide with the first preliminary statement by the new company.

No offer was made for the Zero-dividend preference shares ("Zeros") and for this reason the Company will continue to operate as an investment trust until 31 May 1998 when it will be wound up and the Zeros will be repaid. This statement, therefore, refers exclusively to the situation of the Zeros.

As a result of favourable stockmarket moves and of the reductions in bank borrowings promised in the offer document the asset cover for the Zeros and the quality of that cover rose during the year to May 1997.

| | 31.5.96 | 31.5.97 |
|--------------------------|--------------|--------------|
| | £m | £m |
| Gross assets | 47.38 | 39.15 |
| Bank borrowings | (11.00) | — |
| Net assets | 36.38 | 39.15 |
| Zero funds at date shown | (20.94) | (23.40) |
| Cover | <u>15.44</u> | <u>15.75</u> |

Looking forward, the Zeros require a total of £26.16m to finance their repayment and at 30 June 1997 the Company's total assets had risen marginally to £39.46m so that the Directors believe the Company's cover position remains strong.

We will continue to monitor the progress of the portfolio, which remains well diversified across different types of instrument and company, in order to preserve adequate levels of cover for the Zeros.

29 August 1997

Peter Rintoul
Chairman

Investment Portfolio

As at 31 May 1997

| Company | Nature of business | Valuation £'000 | Total net assets % |
|--|-----------------------------------|--------------------|-----------------------|
| Robert Fleming & Co. 9.25% Sub. Guaranteed Perpetual Loan Stock | Banks, Merchant | 1,717 | 4.39 |
| Hampton Trust 8% CULS | Property | 1,670 | 4.27 |
| Abbey National 10.375% Non-cumulative Preference Stock | Banks, Retail | 1,525 | 3.89 |
| BICC 10.75p CCRP | Electronic & Electrical Equipment | 1,416 | 3.62 |
| Hunting 8.25% CCP | Engineering | 1,386 | 3.54 |
| Guinness Flight Extra Income Investment Trust Ordinary Shares 25p | Investment Trusts | 1,294 | 3.30 |
| Emess 6.25p (net) CCRP | Electronic & Electrical Equipment | 1,290 | 3.29 |
| Ex-Lands Property 7.5% CULS | Property | 1,252 | 3.20 |
| Greycoat 9.5% Variable Bonds 2003 | Property | 1,214 | 3.10 |
| Amec 6.5p net CCP | Building & Construction | 1,206 | 3.08 |
| Top ten investments | | 13,970 | 35.68 |
| Plantation & General 12% CULS | Food Producers | 1,155 | 2.95 |
| Andrew Sykes 7p (net) CCP | Building & Construction | 1,040 | 2.66 |
| Perkins Foods 8p (net) CCRP | Food Producers | 1,035 | 2.64 |
| Eclipse Blinds 6.75p Redeemable Preference Shares. | Household Goods | 1,021 | 2.61 |
| Queens Moat Houses 10.25% 1st Mortgage Debenture Stock | Leisure & Hotels | 995 | 2.54 |
| Lookers 8% CCRP | Distributors | 963 | 2.46 |
| M & G Income Investment Trust Capital Shares 1p | Investment Trusts | 958 | 2.45 |
| Cooper (Frederick) 6.5p (net) CCRP | Engineering | 866 | 2.21 |
| Hambros 7.5% (net) CCRP | Banks, Merchant | 864 | 2.21 |
| Scottish National Trust Income Shares 25p | Investment Trusts | 823 | 2.10 |
| Top twenty investments | | 23,690 | 60.51 |
| Other investments (60) | | 15,412 | 39.36 |
| Total fixed asset investments | | 39,102 | 99.87 |
| Net current assets and provision for liabilities and charges | | 52 | 0.13 |
| Total net assets | | 39,154 | 100.00 |

CCP- Convertible Cumulative Preference Shares

CCRP- Cumulative Convertible Redeemable Preference Shares

CULS- Convertible Unsecured Loan Stock

Classification of Investments

| | 1997 Total fixed assets % | 1996 Total fixed assets % |
|---|---------------------------------|---------------------------------|
| General Manufacturing | 28.89 | 19.52 |
| Building & Construction | 8.96 | 4.65 |
| Building Materials and Merchants | 1.06 | 0.89 |
| Diversified Industrials | 0.02 | 0.01 |
| Electronic & Electrical Equipment | 6.92 | 3.35 |
| Engineering | 9.97 | 7.56 |
| Paper, Packaging & Printing | 1.86 | 2.98 |
| Other Industries | 0.10 | 0.08 |
| Consumer Goods | 5.60 | 5.43 |
| Food Manufacturing | 5.60 | 4.19 |
| Health Care | – | 0.40 |
| Household | – | 0.84 |
| Mineral Extraction | 1.66 | 0.76 |
| Oil Exploration | 1.66 | 0.76 |
| Services | 4.99 | 3.99 |
| Distributors | 2.84 | 2.41 |
| Leisure & Hotels | 1.20 | 0.95 |
| Support Services | 0.95 | 0.63 |
| Financials | 14.11 | 13.11 |
| Banks | 2.21 | 1.92 |
| Property | 11.03 | 8.52 |
| Other Financial | 0.87 | 2.67 |
| Investment Trusts | 13.45 | 30.27 |
| Total equities and convertibles* | 68.70 | 73.08 |
| Preference shares | 10.68 | 11.02 |
| Redeemable preference shares | 8.08 | 9.32 |
| Unsecured loan stock | 12.54 | 6.58 |
| Total fixed asset investments | 100.00 | 100.00 |

* Convertibles represent 55.19% (1996 – 41.62%)

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 May 1997.

Review of the Business

Following an announcement by the Directors on 28 January 1997 that they were considering proposals to restructure the Company, on 18 February 1997 a recommended offer for the Company's Ordinary income shares was made by Abtrust New Preferred Income Investment Trust ("New Abpref"). This was initially accepted by 96% of Ordinary income shareholders and dissenting shareholders' interests were compulsorily acquired by New Abpref on 15 May 1997, pursuant to section 429 of the Companies Act 1985. The Company thereby became a wholly owned subsidiary of New Abpref. The Company's Zero dividend preference shares were unaffected by this offer and remain in existence, in accordance with their terms of issue, until their repayment in May 1998 at which time the Company will be wound up in accordance with the Company's Articles of Association.

Results and Dividends

| | | £'000 |
|--|---------------|--------------|
| The net revenue after taxation for the year ended 31 May 1997 amounted to: | | 3,358 |
| Dividends paid on Ordinary income shares | £'000 | |
| First interim paid on 15 November 1996 | 3.25p | 618 |
| Second interim paid on 31 January 1997 | 3.25p | 617 |
| Third interim paid on 30 April 1997 | 3.25p | 618 |
| Fourth interim paid on 1 July 1997 | 7.25p | 1,377 |
| | <u>17.00p</u> | <u>3,230</u> |
| Balance transferred to revenue reserve | | <u>128</u> |

Principal Activity

The business of the Company is that of an investment trust investing mainly in securities which produce high franked investment yields.

Status

The Company has conducted, and intends to continue to conduct, its affairs so as to be able to seek Inland Revenue approval as an investment trust, approval for which is granted retrospectively in respect of each accounting period. The Inland Revenue has approved the Company as an investment trust for the purpose of Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 May 1996.

Directors

Mr R B Wild retires by rotation and, being eligible, offers himself for re-election. Mr P Rintoul and Mr K C Hall were appointed as additional Directors on 17 February 1997 and Mr D W C Morgan, Mr M J Gilbert, Mr H A Hyman, Mr I R Marks and Mr N E Osborn resigned as Directors on that date, having been appointed directors of New Abpref on 28 January 1997. Mr Rintoul and Mr Hall will retire in accordance with the Articles of Association and offer themselves for reappointment.

The beneficial shareholdings of the Directors were as follows:

| Name of Director | 31 May 1997 | | 1 June 1996* | |
|------------------|------------------------|---------------------------------|------------------------|---------------------------------|
| | Ordinary income shares | Zero-dividend preference shares | Ordinary income shares | Zero-dividend preference shares |
| P Rintoul | - | - | - | - |
| K C Hall | - | - | - | - |
| R B Wild | - | - | 10,555 | - |

*or date of subsequent of appointment.

Directors' Report

Mr Wild has a beneficial interest in 10,555 Ordinary shares of New Abpref. Neither of the other Directors has a beneficial interest in the shares of new Abpref.

No Director has a service contract with the Company.

Corporate Governance

The Directors consider that the Company fully complies with the Code of Best Practice established by the Cadbury Committee on the Financial aspects of Corporate Governance.

Internal Financial Control

The Directors acknowledge their responsibility for the Company's system of internal financial control. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss. The key elements of the system are that the Board meets regularly and reviews reports from the Manager and that there are clearly defined responsibilities between the Board, the Manager and the custodian. The Manager has its own detailed operating procedures and maintains its own system of internal financial control. The Board receives regular reports from the Manager on those systems. The Directors have reviewed the effectiveness of the Company's system of internal financial control that has been in operation during the year.

Going Concern

After making enquires and given the nature of the Company and its investments, the Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Auditors' Review of Compliance

The auditors, KPMG Audit Plc, have confirmed that in their opinion: with respect to the Directors' statements on internal financial control and going concern above, the Directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' statement above appropriately reflects the Company's compliance with the other paragraphs of the Cadbury Code of Best Practice specified by the Listing Rules for their review. They have carried out their review in accordance with the relevant guidance issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to, and they did not, express a separate opinion on the effectiveness either of the Company's system of internal financial control, or corporate governance procedures, or on the ability of the Company to continue in operational existence.

Substantial Interests

The Company is a wholly owned subsidiary of Abtrust New Preferred Income Investment Trust PLC. The Board has been advised that the following shareholders owned 3% or more of the Zero-dividend preference shares at the date of this report.

| | Number of Zero-dividend preference shares held | % class |
|---------------------------------|---|---------|
| Ferlim Nominees Limited | 1,057,676 | 8.8 |
| Robert Fleming Nominees Limited | 500,000 | 4.2 |

Directors' Report

Creditors Payment Policy

The Company policy is to pay Stock Exchange trade creditors on dates of settlement and all other creditors are normally paid within 30 days, with the exception of management fees which are paid quarterly. At 31 May 1997, ten days purchases were outstanding. As at 31 May 1997 88 days billings were outstanding.

Change of Name

To reflect the change of name of the Company's investment manager on 21 July 1997, from Abtrust Fund Managers Limited to Aberdeen Asset Managers Limited, it is proposed that the name of the Company be changed from Abtrust Preferred Income Investment Trust PLC to Aberdeen Preferred Income Investment Trust PLC. The resolution dealing with this change of name will be proposed at the Annual General Meeting.

Auditors

Our auditors, KPMG Audit Plc, have indicated their willingness to remain in office. The Directors will place a resolution before the Annual General Meeting to re-appoint KPMG Audit Plc as auditors for the ensuing year.

99 Charterhouse Street
London EC1M 6AB
29 August 1997



By order of the Board
Aberdeen Asset Management PLC
Secretaries

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

Auditors' Report to the Members of the Abtrust Preferred Income Investment Trust PLC

We have audited the financial statements on pages 12 to 23.

Respective responsibilities of Directors and Auditors

As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 as at 31 May 1997 and of the total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Aberdeen

29 August 1997

Statement of Total Return

(Incorporating the Revenue Account of the Company*)

For the year ended 31 May 1997

| | | 1997 | | | 1996 | | |
|---|-------|------------------|------------------|----------------|------------------|------------------|----------------|
| | Notes | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains on investments | 9 | – | 2,735 | 2,735 | – | 182 | 182 |
| Income | 2 | 5,501 | – | 5,501 | 5,077 | – | 5,077 |
| Investment management fee | 3 | (538) | – | (538) | (519) | – | (519) |
| Other expenses | 4 | (153) | – | (153) | (140) | – | (140) |
| Net return before finance costs and taxation | | <u>4,810</u> | <u>2,735</u> | <u>7,545</u> | <u>4,418</u> | <u>182</u> | <u>4,600</u> |
| Interest payable and similar charges | 5 | (604) | – | (604) | (661) | – | (661) |
| Return on ordinary activities before tax | | <u>4,206</u> | <u>2,735</u> | <u>6,941</u> | <u>3,757</u> | <u>182</u> | <u>3,939</u> |
| Tax on ordinary activities | 6 | (848) | – | (848) | (757) | – | (757) |
| Return on ordinary activities after tax | | <u>3,358</u> | <u>2,735</u> | <u>6,093</u> | <u>3,000</u> | <u>182</u> | <u>3,182</u> |
| Dividends and other appropriations | 7 | | | | | | |
| Appropriations in respect of non-equity shares | | | | | | | |
| – Zero-dividend preference | | – | (2,466) | (2,466) | – | (2,206) | (2,206) |
| Dividends on equity shares | | | | | | | |
| – Ordinary income | | (3,230) | – | (3,230) | (2,660) | – | (2,660) |
| Transfer to/(from) reserves | | <u>128</u> | <u>269</u> | <u>397</u> | <u>340</u> | <u>(2,024)</u> | <u>(1,684)</u> |
| Return per share (pence): | 8 | | | | | | |
| – Zero-dividend preference | | – | 20.55 | 20.55 | – | 18.38 | 18.38 |
| – Ordinary income | | <u>17.67</u> | <u>1.42</u> | <u>19.09</u> | <u>15.79</u> | <u>(10.65)</u> | <u>5.14</u> |

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

The accompanying notes are an integral part of this statement.

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

No operations were acquired or discontinued in the period.

Balance Sheet

As at 31 May 1997

| | Notes | 1997 £'000 | 1996 £'000 |
|---|-------|----------------|-----------------|
| Fixed assets | | | |
| Investments | 9 | 39,102 | 47,534 |
| Current assets | | | |
| Debtors | 10 | 736 | 793 |
| Cash at bank and in hand | | 1,128 | 193 |
| | | <u>1,864</u> | <u>986</u> |
| Creditors: amounts falling due within one year | 11 | <u>(1,811)</u> | <u>(12,096)</u> |
| Net current assets/(liabilities) | | <u>53</u> | <u>(11,110)</u> |
| Total assets less current liabilities | | 39,155 | 36,424 |
| Provision for liabilities and charges | 12 | <u>(1)</u> | <u>(41)</u> |
| Net assets | | <u>39,154</u> | <u>36,383</u> |
| Capital and reserves | | | |
| Called up Zero-dividend preference shares | 13 | 1,200 | 1,200 |
| Share premium account | 14 | 12,091 | 12,091 |
| Redemption reserve | 14 | 10,113 | 7,647 |
| Non-equity shareholders' funds | | <u>23,404</u> | <u>20,938</u> |
| Called up Ordinary income shares | 13 | 1,900 | 1,900 |
| Share premium account | 14 | 15,958 | 15,958 |
| Other reserves | | | |
| Redemption reserve | 14 | (10,113) | (7,647) |
| Capital reserve – realised | 14 | 1,750 | 1,554 |
| Capital reserve – unrealised | 14 | 3,972 | 1,525 |
| Revenue reserve | 14 | 2,283 | 2,155 |
| Equity shareholders' funds | | <u>15,750</u> | <u>15,445</u> |
| Total shareholders' funds | 15 | <u>39,154</u> | <u>36,383</u> |
| Net asset value per share (pence): | 16 | | |
| – Zero-dividend | | <u>195.03</u> | <u>174.48</u> |
| – Ordinary income | | <u>82.90</u> | <u>81.29</u> |

The financial statements were approved by the Board of Directors on 29 August 1997 and were signed on its behalf by:

Director



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

Cash Flow Statement

For the year ended 31 May 1997

| | | 1997 | | 1996 | |
|--|-------|----------|----------|----------|---------|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| Operating activities | | | | | |
| Cash received from investments | | 5,324 | | 5,383 | |
| Interest received | | 53 | | 40 | |
| Underwriting commission | | — | | 28 | |
| Investment management fees paid | | (540) | | (509) | |
| Cash paid to and on behalf of Directors | | (49) | | (60) | |
| Other cash payments | | (93) | | (78) | |
| Net cash inflow from operating activities | 17 | | 4,695 | | 4,804 |
| Returns on investments and servicing of finance | | | | | |
| Dividends paid | | (2,660) | | (2,612) | |
| Interest paid | | (735) | | (632) | |
| | | | (3,395) | | (3,244) |
| Taxation | | | (796) | | (906) |
| Capital expenditure and financial investment | | | | | |
| Purchase of investments | | (8,372) | | (17,479) | |
| Sale of investments | | 19,895 | | 10,711 | |
| Net cash inflow/(outflow) from capital expenditure and financial investment | | | 11,523 | | (6,768) |
| Net cash inflow/(outflow) before financing | | | 12,027 | | (6,114) |
| Financing | | | | | |
| Short term loans (repaid)/received | | (11,000) | | 6,000 | |
| Costs incurred in respect of offer from Abtrust New Preferred Income | | | | | |
| Investment Trust PLC for Ordinary income shares | | (92) | | — | |
| Net cash (outflow)/inflow from financing | | | (11,092) | | 6,000 |
| Increase/(decrease) in cash | 18 | | 935 | | (114) |

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

Notes to the Financial Statements

For the year ended 31 May 1997

1. Accounting policies

The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (SORP). A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year is set out below. The Company has changed its accounting policies to generally comply with the SORP.

(a) Basis of accounting

The accounts are prepared under the historical cost convention as modified to include the revaluation of investments.

(b) Valuation of investments

Quoted investments are valued at middle market prices. Unlisted investments are included in the financial statements at valuations determined by the Directors. Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve - realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve - unrealised as explained in note 1(f) below.

(c) Income

Dividends receivable on equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established. The fixed return on a debt security is recognised on a time apportioned basis so as to reflect the effective yield on the debt security.

(d) Expenses

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

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(e) Taxation

The charge for taxation is based on the net revenue for the year. Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability will crystallise.

(f) Capital reserves

Capital reserve - Realised.

The following are accounted for in this reserve:

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

Capital reserve - Unrealised.

The following are accounted for in this reserve:

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

(g) Finance costs

Finance costs of non-equity shares are accounted for on an accruals basis and in accordance with the provisions of Financial Reporting Standard 4 'Capital Instruments'.

Notes to the Financial Statements

(h) Foreign currency

Overseas assets and liabilities are converted into Sterling at the rate of exchange ruling at the balance sheet date. Transactions during the period involving foreign currencies are converted at the rate of exchange ruling at the transaction date. 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.

| | 1997 £'000 | 1996 £'000 |
|---------------------------------|---------------|---------------|
| 2. Income | | |
| Income from investments | | |
| Franked investment income | 4,497 | 4,133 |
| UK unfranked investment income | 831 | 776 |
| Foreign income dividends | 4 | — |
| Overseas dividends | 126 | 100 |
| | <u>5,458</u> | <u>5,009</u> |
| Other income | | |
| Deposit interest | 43 | 40 |
| Underwriting commission | — | 28 |
| | <u>43</u> | <u>68</u> |
| Total income | <u>5,501</u> | <u>5,077</u> |
| Total income comprises: | | |
| Dividends | 5,458 | 5,009 |
| Interest | 43 | 40 |
| Other income | — | 28 |
| | <u>5,501</u> | <u>5,077</u> |
| Income from investments: | | |
| Listed UK | 5,397 | 4,940 |
| Unlisted UK | 61 | 69 |
| | <u>5,458</u> | <u>5,009</u> |

| | 1997 | | | 1996 | | |
|-------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 3. Investment management fee | | | | | | |
| Investment management fee | <u>538</u> | <u>—</u> | <u>538</u> | <u>519</u> | <u>—</u> | <u>519</u> |

The Company has an agreement with Aberdeen Asset Managers Limited for the provision of management services. Management fees are paid quarterly in arrears and are based on an annual amount of 0.45% of the gross asset value of the Company valued quarterly, plus 4.5% of the gross revenue of the Company received during each quarter.

The balance due to Aberdeen Asset Managers Limited at the year end was £133,000 (1996 – £134,000).

Notes to the Financial Statements

| | 1997 £'000 | 1996 £'000 |
|-----------------------------------|---------------|---------------|
| 4. Other expenses | | |
| Share plan marketing contribution | 28 | 11 |
| Directors' fees | 51 | 59 |
| Auditors' remuneration | | |
| – audit | 9 | 9 |
| – other services | 3 | 2 |
| Other | 62 | 59 |
| | <u>153</u> | <u>140</u> |

The Company makes a contribution towards the costs incurred by Aberdeen Asset Managers Limited in marketing the Trust's shares.

The prepayment to Aberdeen Asset Managers Limited at the year end was £2,000 (1996 – £2,000).

The emoluments of the highest paid Director were £10,000 (1996 – £12,000).

| | 1997 | | | 1996 | | |
|--|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 5. Interest payable and similar charges | | | | | | |
| Bank loans and overdrafts | 604 | – | 604 | 661 | – | 661 |
| | <u>604</u> | <u>–</u> | <u>604</u> | <u>661</u> | <u>–</u> | <u>661</u> |

| | 1997 | | | 1996 | | |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 6. Tax on ordinary activities | | | | | | |
| Overseas taxation | 9 | – | 9 | 6 | – | 6 |
| Tax attributable to franked investment income | 939 | – | 939 | 827 | – | 827 |
| Amount recoverable (s242 claim) | (60) | – | (60) | (95) | – | (95) |
| Deferred taxation | (40) | – | (40) | 19 | – | 19 |
| | <u>848</u> | <u>–</u> | <u>848</u> | <u>757</u> | <u>–</u> | <u>757</u> |

Notes to the Financial Statements

| | 1997 | | | 1996 | | |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 7. Dividends and other appropriations | | | | | | |
| Appropriations in respect of non-equity shares: | | | | | | |
| – Zero dividend preference | <u>–</u> | <u>2,466</u> | <u>2,466</u> | <u>–</u> | <u>2,206</u> | <u>2,206</u> |
| Dividends on equity shares: | | | | | | |
| – first interim 3.25p per share (1996 – 3.25p) | 618 | – | 618 | 618 | – | 618 |
| – second interim 3.25p per share (1996 – 3.25p) | 617 | – | 617 | 617 | – | 617 |
| – third interim 3.25p per share (1996 – 3.25p) | 618 | – | 618 | 617 | – | 617 |
| – fourth interim 7.25p per share(1996 – 4.25p) | 1,377 | – | 1,377 | 808 | – | 808 |
| | <u>3,230</u> | <u>–</u> | <u>3,230</u> | <u>2,660</u> | <u>–</u> | <u>2,660</u> |

| | 1997 | | | 1996 | | |
|--------------------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| 8. Return per share (pence) : | | | | | | |
| – Zero-dividend preference | <u>–</u> | <u>20.55</u> | <u>20.55</u> | <u>–</u> | <u>18.38</u> | <u>18.38</u> |
| – Ordinary income | <u>17.67</u> | <u>1.42</u> | <u>19.09</u> | <u>15.79</u> | <u>(10.65)</u> | <u>5.14</u> |

Basic revenue return per Ordinary income share is based on the net revenue on ordinary activities after taxation of £3,358,000 (1996 – £3,000,000) and on 19,000,042 Ordinary income shares (1996 – 19,000,042) in issue during the period.

Basic capital return per Ordinary income share is based on net capital gains of £269,000 (1996 – deficit £2,024,000) for the period, after deductions in respect of appropriations for the Zero-dividend preference shares, of £2,466,000 (1996 – £2,206,000) and on 19,000,042 Ordinary income shares (1996 – 19,000,042) in issue during the period.

| | 1997 £'000 | 1996 £'000 |
|--|---------------|---------------|
| 9. Investments | | |
| Investments listed on a recognised investment exchange | 38,246 | 46,781 |
| Unlisted investments | 856 | 753 |
| | <u>39,102</u> | <u>47,534</u> |

Notes to the Financial Statements

| | Listed in UK £'000 | Unlisted £'000 | Total £'000 |
|---|--------------------------|-------------------|----------------|
| 9. Investments (continued) | | | |
| Opening book cost | 44,608 | 1,401 | 46,009 |
| Opening unrealised appreciation/(depreciation) | 2,172 | (647) | 1,525 |
| Opening valuation | 46,780 | 754 | 47,534 |
| Movements in the year: | | | |
| Purchases at cost | 8,529 | 95 | 8,624 |
| Sales –proceeds | (19,773) | (29) | (19,802) |
| – realised gains/(losses) on sales | 1,054 | (766) | 288 |
| Increase in unrealised appreciation | 1,656 | 802 | 2,458 |
| Closing valuation | 38,246 | 856 | 39,102 |
| Closing book cost | 34,417 | 701 | 35,118 |
| Closing unrealised appreciation | 3,829 | 155 | 3,984 |
| | <u>38,246</u> | <u>856</u> | <u>39,102</u> |
| | 1997 | 1996 | |
| | £'000 | £'000 | |
| Realised gains on sales | 288 | 199 | |
| Increase/(decrease) in unrealised appreciation | 2,458 | (17) | |
| Capital loss on fixed interest stocks | (11) | – | |
| Gains on investments | <u>2,735</u> | <u>182</u> | |
| | 1997 | 1996 | |
| | £'000 | £'000 | |
| 10. Debtors: amounts falling due within one year | | | |
| Amounts due from brokers | – | 93 | |
| Tax recoverable | 256 | 282 | |
| Prepayments and accrued income | 480 | 418 | |
| | <u>736</u> | <u>793</u> | |
| | 1997 | 1996 | |
| | £'000 | £'000 | |
| 11. Creditors: amounts falling due within one year | | | |
| Amounts due to brokers | 252 | – | |
| Other creditors | 182 | 288 | |
| Loan from Robert Fleming | – | 11,000 | |
| Proposed dividends | 1,377 | 808 | |
| | <u>1,811</u> | <u>12,096</u> | |

Notes to the Financial Statements

| | 1997 £'000 | 1996 £/€000 |
|--|---------------|----------------|
| 12. Provision for liabilities and charges | | |
| These are in respect of deferred taxation, and comprise: | | |
| Timing differences related to revenue | <u>1</u> | <u>41</u> |
| The movement on deferred taxation comprises: | | |
| Beginning of year | 41 | 22 |
| (Credited)/charged in respect of revenue | <u>(40)</u> | <u>19</u> |
| End of year | <u>1</u> | <u>41</u> |

There is no material amount of unprovided deferred tax.

| | 1997 | | 1996 | |
|------------------------------------|--------------|--------------------------|--------------|--------------------------|
| | Authorised | Issued and fully paid | Authorised | Issued and fully paid |
| | £'000 | £'000 | £'000 | £'000 |
| 13. Called up share capital | | | | |
| Zero-dividend preference shares | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> | <u>1,200</u> |
| Ordinary income shares | <u>1,900</u> | <u>1,900</u> | <u>1,900</u> | <u>1,900</u> |

| | Share premium account £'000 | Redemption reserve £'000 |
|---|--------------------------------------|--------------------------------|
| 14. Reserves | | |
| Zero-dividend preference: | | |
| Beginning of year | 12,091 | 7,647 |
| Accrued redemption premium on non-equity shares | — | 2,466 |
| End of year | <u>12,091</u> | <u>10,113</u> |

The value of the redemption reserve shown above together with the 10p nominal paid up capital of each Zero-dividend preference share plus £12,091,000, being the element of share premium created by the issue of Zero-dividend preference shares, represents that part of the assets attributable to the Zero-dividend preference shares at that date. The total amount attributable to the Zero-dividend preference shares, £23,404,000, is based on the Zero-dividend preference share rights, whenever the shares were acquired, to receive compound growth of 11.78% per annum based on 31 May 1991 value of 100p per share.

| | Share premium account £'000 | Redemption reserve £'000 | Capital reserve - realised £'000 | Capital reserve - unrealised £'000 | Revenue reserve £'000 |
|---|--------------------------------------|--------------------------------|---|---|-----------------------------|
| Ordinary income: | | | | | |
| Beginning of year | 15,958 | (7,647) | 1,554 | 1,525 | 2,155 |
| Accrued redemption premium on non-equity shares | — | (2,466) | — | — | — |
| Net gains on realisation of investments | — | — | 288 | — | — |
| Expenses of share issue in Abtrust New Preferred Income Investment Trust PLC | — | — | (92) | — | — |
| Capital losses on fixed interest stocks | — | — | — | (11) | — |
| Increase in unrealised appreciation | — | — | — | 2,458 | — |
| Retained net revenue for the year | — | — | — | — | 128 |
| End of year | <u>15,958</u> | <u>(10,113)</u> | <u>1,750</u> | <u>3,972</u> | <u>2,283</u> |

Notes to the Financial Statements

15. Total shareholders' funds

The shareholders' funds are attributable to each class of share as follows:

| | 1997 | 1996 |
|---------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Zero-dividend preference shares | 23,404 | 20,938 |
| Ordinary income shares | 15,750 | 15,445 |
| | <u>39,154</u> | <u>36,383</u> |

16. Net asset value per share

The net asset value per share and the net asset values attributable to each class of share at the year end calculated in accordance with the Articles of Association were as follows:

| | Net asset value per share attributable | | Net asset values attributable | |
|--------------------------------|---|--------------|----------------------------------|---------------|
| | 1997 | 1996 | 1997 | 1996 |
| | p | p | £'000 | £'000 |
| Zero-dividend preference share | 195.03 | 174.48 | 23,404 | 20,938 |
| Ordinary income share | <u>82.90</u> | <u>81.29</u> | <u>15,750</u> | <u>15,445</u> |

The redemption value of the Zero-dividend preference shares on 31 May 1998, calculated in accordance with Article 3 (B) of the Company's Articles of Association, is £26,160,000, equivalent to 218p per Zero-dividend preference share.

The movements during the year of the assets attributable to each class of share were as follows:

| | Zero- dividend preference shares £'000 | Ordinary income shares £'000 | Total £'000 |
|--|---|---------------------------------------|----------------|
| Total net assets attributable at beginning of year | 20,938 | 15,445 | 36,383 |
| Total recognised gains for the year | — | 6,093 | 6,093 |
| Costs incurred in respect of offer from Abtrust | | | |
| New Preferred Income Investment Trust PLC for | | | |
| Ordinary income shares | — | (92) | (92) |
| Dividends appropriated in the year | — | (3,230) | (3,230) |
| Accrued redemption premium on non-equity shares | 2,466 | (2,466) | — |
| Total net assets attributable at end of year | <u>23,404</u> | <u>15,750</u> | <u>39,154</u> |

Net asset value per Zero-dividend preference share is based on the total non-equity shareholders' funds, and on 12,000,000 Zero-dividend preference shares, being the number of Zero-dividend preference shares in issue at the year end. Net asset value per Ordinary income share is based on the total equity shareholders' funds, and on 19,000,042 Ordinary income shares, being the number of Ordinary income shares in issue at the year end. The analysis of shareholders' funds on the face of the balance sheet has been computed in accordance with the provision of Financial Reporting Standard 4 'Capital Instruments' and does not reflect the rights under the Articles of Association of the respective classes of share on a return of assets.

Notes to the Financial Statements

| | | |
|--|--------------|--------------|
| 17. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities | 1997 | 1996 |
| | £'000 | £'000 |
| Net return before finance costs and taxation | 4,810 | 4,418 |
| (Increase)/decrease in other debtors | (130) | 372 |
| Increase in other creditors | 26 | 14 |
| Capital loss on fixed interest stocks | (11) | - |
| | <u>4,695</u> | <u>4,804</u> |

| | | | |
|----------------------------------|------------------|---------------|------------------|
| | At 1 June | Cash | At 31 May |
| | 1996 | flows | 1997 |
| | £'000 | £'000 | £'000 |
| 18. Analysis of net funds | | | |
| Cash at bank and in hand | 193 | 935 | 1,128 |
| Bank loan | (11,000) | 11,000 | - |
| | <u>(10,807)</u> | <u>11,935</u> | <u>1,128</u> |

19. Contingencies, guarantees and financial commitments

There were no contingencies, guarantees and financial commitments at the year end (31 May 1996 – nil).

20. Related party transactions

The transactions with Aberdeen Asset Managers Limited and the year end balances are disclosed in notes 3 and 4 of the financial statements. During the year, £11,286,000 of investments were sold at market value to Abtrust New Preferred Income Investment Trust PLC. These sales were fully settled during the year. The fourth interim dividend of £1,377,000 which was outstanding at the year end is payable to Abtrust New Preferred Income PLC.

21. Holding Company

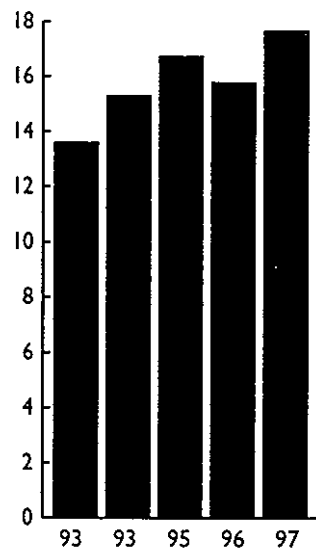
The Ordinary income shares of the Company are wholly owned by Abtrust New Preferred Income Investment Trust PLC.

Five Year Financial Record

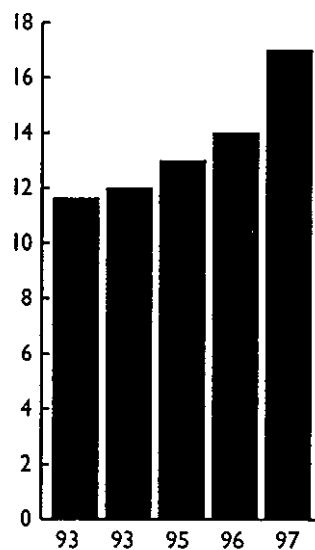
| Year to 31 May | 1993 | 1994 | 1995 | 1996 | 1997 |
|----------------------------------|---------|---------|---------|---------|---------|
| Gross revenue '000 | £2,396 | £4,420 | £4,905 | £5,077 | £5,501 |
| <i>Per Ordinary income share</i> | | | | | |
| Net earnings | 13.610p | 15.320p | 16.730p | 15.790p | 17.670p |
| Net dividends paid | 11.625p | 12.000p | 13.000p | 14.000p | 17.000p |
| Net asset value: | | | | | |
| Ordinary income share | 99.77p | 118.20p | 90.15p | 81.29p | 82.90p |
| Zero-dividend preference share | 124.94p | 139.65p | 156.10p | 174.48p | 195.03p |
| Equity shareholders' funds '000 | £18,957 | £22,458 | £17,130 | £15,445 | £15,750 |

The figures for the years 1993 onwards reflect the issue of 9,500,022 new Ordinary income shares and 6,000,000 new Zero-dividend preference shares on 1 March 1993.

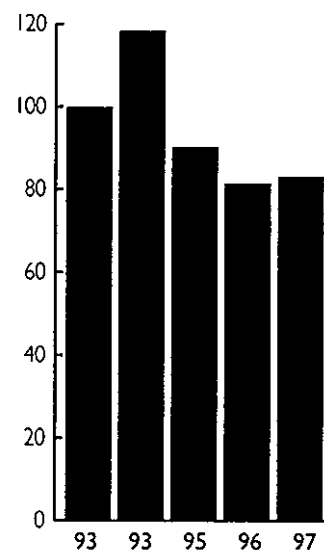
**Net earnings per share
pence**



**Net dividends per share
pence**



**Net asset value per share
pence**



Shareholder Information

Shareholder Distribution

As at the date of this report there were 19,000,042 Ordinary income shares and 12,000,000 Zero-dividend preference shares ('Zero shares') in issue. All of the Ordinary income shares are held by Abtrust New Preferred Income Investment Trust PLC. The distribution of the Zero shares was as follows:

| Range | Number of Zero-dividend preference shareholders | % |
|------------------|---|--------------|
| 1 – 1,000 | 21 | 2.0 |
| 1,001 – 5,000 | 500 | 47.3 |
| 5,001 – 10,000 | 334 | 31.6 |
| 10,001 – 100,000 | 188 | 17.8 |
| 100,001 and over | 14 | 1.3 |
| | <u>1,057</u> | <u>100.0</u> |

Share Price

The price of the Company's Zero-dividend preference shares is published daily in the *Financial Times*.

Information About the Manager

Aberdeen Asset Managers Limited

The Company's manager is Aberdeen Asset Managers Limited (AAM), a wholly-owned subsidiary of Aberdeen Asset Management PLC whose Group companies manage a combined £2.9 billion of funds for UK institutions, investment trusts, unit trusts, private clients and offshore funds.

Aberdeen Asset Management PLC has been listed on the London Stock Exchange since 1991, although its origins go back to an investment company founded in 1876 to assist Scottish farmers to set up in the Canadian prairies. It has its headquarters in Aberdeen with offices in London, Singapore, Edinburgh, Inverness and Fort Lauderdale, Florida.

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. Between them, Aberdeen Asset Managers Limited and Aberdeen Asset Management Asia Limited [AAM (Asia)] now have 18 investment trusts under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

Aberdeen Managed Investment Trusts

AAM (Asia) and AAM manage investment trusts which have combined total assets of around £650 million. The trusts cover a wide range of markets and sectors, including the UK, Europe, the Far East and emerging markets. As well as portfolio management, comprehensive secretarial, administrative and marketing services to the individual trusts are also provided.

Aberdeen Investment Trust Share Plan

Aberdeen Asset Managers Limited (AAM) runs a Share Plan which covers the majority of trusts under its management including the Zero-dividend preference shares of Abtrust Preferred Income Investment Trust PLC. All investments are free of dealing charges on the initial purchase of shares. Lump sum investments start at £250 per trust, while regular savers may invest from just £50 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on entry. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing AAM in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and all other rights of share ownership.

Aberdeen Investment Trust PEP

The Aberdeen Investment Trust PEP is run by AAM on behalf of participating trusts as a General PEP. Investors can put up to £6,000 per annum into a qualifying trust (which includes UK and/or EU equities' portfolios) as a General PEP. The Company's Zero-dividend preference shares are classified as fully qualifying and as such the maximum subscription limit is £6,000 per annum. There are no brokerage or initial charges for the Abtrust Investment Trust PEP. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 plus VAT. The annual PEP management charge is 0.5%, calculated monthly and deducted from income quarterly. Under current legislation all income or capital gains within a PEP are free of income tax and capital gains tax.

Information About the Manager

Trust Information

If you would like details of any of the following trusts managed by AAM, or information on the Share Plan or PEP (both of which contain Trust details), please telephone 0500 00 00 40 or write to Aberdeen Asset Managers Limited, 10 Queen's Terrace, Aberdeen AB10 1QG.

Aberdeen European Investment Trust PLC

Long term capital growth from continental European equities.

Aberdeen New Thai Investment Trust PLC†

Single-country trust.

Abtrust Asian Smaller Companies Investment Trust PLC†

Invests in Asian companies with a market capitalisation less than US\$250m at launch.

Abtrust Convertible Income Trust PLC

High income from convertibles.

Abtrust Emerging Asia Investment Trust Ltd†

Long-term capital growth from the emerging countries of Asia.

Abtrust Emerging Economies Investment Trust PLC†

Long-term capital growth from global emerging markets.

Abtrust High Income Trust PLC

High income from UK split capital investment trusts.

Abtrust Latin American Investment Trust PLC†

Long-term capital growth from Latin America.

Abtrust Lloyd's Insurance Trust PLC

Lloyd's corporate investment.

Abtrust New Dawn Investment Trust PLC†

Above-average capital growth from Asia's emerging markets.

Abtrust New Preferred Income Investment Trust PLC

High income with exposure to the UK equity market.

Abtrust Scotland Investment Company PLC

Development capital.

Danae Investment Trust PLC

Capital and income growth split-capital trust from portfolio of high yielding securities.

Jove Investment Trust PLC

Capital and income growth split-capital trust from portfolio of high yielding securities.

The Smaller Companies Investment Trust PLC

UK-quoted smaller companies.

The Taverners Trust PLC

Capital growth from the brewing and licensed retailing industry.

The Turkey Trust PLC†

Single-country trust.

All funds are in the Share Plan, and are fully PEP qualifying except where indicated. †

The information on pages 25 and 26 is issued and has been approved for the purposes of the Financial Services Act 1986 by Aberdeen Asset Managers Limited, 99 Charterhouse Street, EC1M 6AB which is regulated by IMRO.

Notice of Meeting

Notice is hereby given that the seventh Annual General Meeting of Abtrust Preferred Income Investment Trust PLC will be held at 99 Charterhouse Street, London EC1M 6AB, at 10.50 am on Wednesday 10 December 1997 for the following purposes:

To consider and if thought fit, pass the following resolutions, of which numbers 1-5 are ordinary resolutions and number 6 is a special resolution.

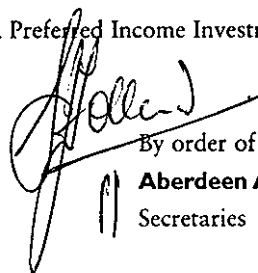
As Ordinary Business

1. To receive the Directors' report and financial statements for the year ended 31 May 1997, together with the auditors' report thereon.
2. To re-elect Mr R B Wild as a Director.
3. To re-elect Mr P Rintoul as a Director.
4. To re-elect Mr K C Hall as a Director.
5. To re-appoint KPMG Audit Plc as auditors and to authorise the Directors to agree their remuneration.

As Special Business

6. That the name of the Company be changed to "Aberdeen Preferred Income Investment Trust PLC".

99 Charterhouse Street
London EC1M 6AB
29 August 1997



By order of the Board

Aberdeen Asset Management PLC
Secretaries

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or notarially certified copy of that power of authority should be sent to Bank of Scotland, Registrar Department, Apex House, 9 Haddington Place, Edinburgh EH7 4AL, so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. No Director has a service contract with the Company.
4. The Register of Directors' interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.
5. Zero-dividend preference shareholders are entitled to receive copies of the Annual Report, including the Notice of Meeting, but are not entitled to attend or vote at the Annual General Meeting.

Capital Structure

Issued Share Capital

| | |
|------------|--|
| 19,000,042 | Ordinary income shares of 10p |
| 12,000,000 | Zero-dividend preference shares of 10p |

Capital History

| | |
|------------------|---|
| 29 May 1991 | 9,000,000 Ordinary income shares of 10p each and 6,000,000 Zero-dividend preference shares of 10p each issued at 100p and 102p per share respectively. |
| 30 May 1991 | Dealings commence in Ordinary income shares and Zero-dividend preference shares. |
| 1 March 1993 | 10,000,022 Ordinary income shares of 10p each issued at 83p per share and 6,000,000 Zero-dividend preference shares of 10p each issued at 142p per share. |
| 18 February 1997 | Recommended offer by Abtrust New Preferred Investment Trust PLC ("New Abpref") to acquire all Ordinary income shares in issue on the basis of one Ordinary share in New Abpref for each Ordinary income share held. |
| 25 March 1997 | Offer declared unconditional following acceptance by holders of 96.1% of Ordinary income shares. |
| 15 May 1997 | Dissenting shareholders' interests compulsorily acquired by New Abpref and dealings in Ordinary income shares suspended. |

Shareholders' Rights

(a) As to dividends

- (i) the Zero-dividend preference shares shall carry no rights to receive dividends out of the revenue or any other profits of the Company;
- (ii) the Ordinary income shares carry the right to receive the revenue profits of the Company (including accumulated revenue reserves) available for distribution by way of interim or final dividend at such times as the Directors may determine.

(b) As to Winding up

On a return of assets, on a liquidation or otherwise, the surplus assets of the Company after payment of all debts and satisfaction of all liabilities of the Company shall be applied as follows:

- (i) first, there shall be paid to holders of the Zero-dividend preference shares an amount equal to 100p per Zero-dividend preference share as increased at the end of each month at the monthly compound rate of 0.9320848 per cent the first such increase occurring on 30 June 1991 and the last on 31 May 1998, the projected value of which is 218p per Zero-dividend preference share;
- (ii) there shall be paid to the holders of the Ordinary income shares the capital paid up on such shares and any surplus assets of the Company available after the payments referred to in paragraph (i) above and this paragraph (ii).

(c) As to Voting

- (i) Zero-dividend preference shares normally shall have the right to receive notice of, but shall not have the right to attend or vote at any general meeting of the Company.
- (ii) Holders of Ordinary income shares shall have the right to receive notice, attend and vote at any general meeting of the Company.



Aberdeen

Aberdeen Asset Managers Limited

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