

IVORY & SIME OPTIMUM INCOME TRUST PLC

(formerly IVORY & SIME OPTIMUM INCOME TRUST II PLC)

(Registered Number 172158)

INTERIM ACCOUNTS

FOR THE PERIOD

TO 31 JANUARY 1998



Ivory & Sime Optimum Income Trust Plc
Statement of total return (incorporating the revenue account*)
for the period ended 31 January 1998

	Notes	Revenue £'000	Capital £'000	Total £'000
Realised gains and losses on sales	9	-	(19)	(19)
Unrealised (losses)/ gains	9	-	16,292	16,292
Total capital gains on investments		0	16,273	16,273
Income	2	3,124	-	3,124
Investment management fee	3	(242)	(449)	(691)
Other expenses	4	(179)	-	(179)
Net return before finance costs and taxation		2,703	15,824	18,527
Interest payable		0	0	0
Return on ordinary activities before tax		2,703	15,824	18,527
Tax on ordinary activities	6	(507)	111	(396)
Return on ordinary activities after tax		2,196	15,935	18,131
Appropriations in respect of zero dividend preference shares	12, 13	-	(3,242)	(3,242)
Return attributable to equity shareholders		2,196	12,693	14,889
Dividends in respect of equity shares	7	(1,691)	-	(1,691)
Transfer to reserves	13	505	12,693	13,198
Return per ordinary 10p share:				
Basic	8	6.23p	36.04p	42.27p

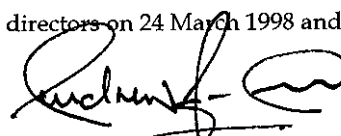
* The revenue column of this statement is the profit and loss account of the company
The accompanying notes are an integral part of this statement.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

Ivory & Sime Optimum Income Trust Plc
Balance sheet as at 31 January 1998

	Notes	1998 £'000
Fixed assets		
Investments	9	90,877
Current assets		
Debtors	10	521
Cash at bank and on deposit		<u>5,571</u>
		6,092
Creditors: amounts falling due within one year	11	<u>(1,290)</u>
Net current assets		<u>4,802</u>
Total assets less current liabilities		<u>95,679</u>
Capital and reserves		
Called-up share capital		
Ordinary shares	12	3,522
Preference shares		<u>35,224</u>
		38,746
Share premium account	13	31,185
Other reserves -		
Redemption Reserve	13	12,664
Capital reserve - realised	13	(3,713)
Capital reserve - unrealised	13	16,292
Revenue reserve	13	<u>505</u>
	15	<u>95,679</u>
Equity shareholders' funds	14	47,791
Zero dividend preference shareholders' funds		<u>47,888</u>
Net asset value per Ordinary Share:	14	135.68
Net asset value per Zero Dividend Preference Share:	14	135.95

The financial statements on pages 1 to 12 were approved by the board of directors on 24 March 1998 and were signed on its behalf by:


R A HAMMOND-CHAMBERS (Director)


A R IRVINE (Director)

The accompanying notes are an integral part of this balance sheet.

NOTES TO THE ACCOUNTS

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period.

a) Basis of accounting

The accounts are prepared under the historic cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial statements of investment trust companies'.

b) Valuation of investments

Listed investments are valued at middle market prices. Unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation.

c) Income

Dividends are recognised as income on the date that the related investments are marked ex dividend. Income from fixed interest securities, other investment income and deposit interest are included on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income.

d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long term returns as follows:

—Management fees payable have been allocated 35 per cent to revenue and 65 per cent to capital.

e) Taxation

Advance corporation tax payable on dividends paid or provided for is written off, except when recoverability is considered to be reasonably certain and foreseeable. 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
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies
- realised gains and losses on transactions undertaken to hedge an exposure 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

g) Redemption reserve

The Redemption Reserve has been set up to provide for the repayment entitlements attached to the Zero Dividend Preference Shares which accrue on a monthly basis to the date of the Company's winding up on 26 March 2004. These shares are entitled to repayment of 126.75p initially on winding-up, increasing on a monthly basis by 8.78 per cent per annum compounded annually. Transfers are made to the Redemption Reserve from the Capital Reserve Realised.

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

	1998 £'000
2. Income	
Income from investments	
Listed on the London Stock Exchange	2,755
Listed on other exchanges	0
Unlisted	0
	<u>2,755</u>
Other income	
Deposit interest	368
Other income	1
	<u>369</u>
Total income	<u><u>3,124</u></u>
Total income comprises:	
Dividends	2,633
Interest from investments	122
Other income	369
	<u>3,124</u>
Income from investments:	
Equity securities	2,633
Securities with an equity element	-
Fixed interest securities	122
	<u>2,755</u>

3. Investment management fee

	Revenue £'000	Capital £'000	Total £'000
Investment management fee	242	449	691
	<u>242</u>	<u>449</u>	<u>691</u>

The Company's investment manager is Friends Ivory & Sime plc. The contract between the Company and Friends Ivory & Sime plc is for an initial period of three years and may be terminated by either party giving one year's notice of termination expiring on or after 1 April 2000. Friends Ivory & Sime plc receives a quarterly fee, payable in arrears, equal to 0.2 per cent of Total Net Assets. 35% of this fee is charged to revenue. In addition, Friends Ivory & Sime will be entitled to receive an annual fee of £40,000, payable quarterly in arrears, in respect of the provision of administrative and secretarial services to the Company.

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

	1998 £'000
4. Other expenses	
Directors' fees (Note 5)	49
Auditors' remuneration for:	
- audit	13
- other services to the company	3
Other	114
	<u>179</u>

5. Directors' fees

The remuneration of the Chairman, the highest paid Director, was £13,237, and that of each of the other four Directors was £8,825.

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

1998

	Revenue	Capital	Total
	£'000	£'000	£'000

6. Tax on ordinary activities

UK corporation tax at 31% (1996:33%)	33	(33)	0
Tax on franked investment income	474	-	474
Overseas taxation	-	-	0
Section 242 claim	-	(78)	(78)
	507	(111)	396

1998

	Revenue	Capital	Total
	£'000	£'000	£'000

7. Dividends

Dividends on equity shares:

- ordinary - first interim 1.80p	634	-	634
- ordinary - second interim 1.80p	634	-	634
- ordinary - third interim accrued	423	-	423
	1,691	-	1,691

The second interim dividend is payable 2 February 1998 to Ordinary Shareholders on the register at the close of business 9 January 1998.

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

1998

Revenue Capital Total

8. Return per ordinary share

Basic

6.23p 36.04p 42.27p

Basic revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £2,196,000, and on 35,223,639 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Basic capital return per ordinary share is based on net capital gains for the financial year of £12,693,000 and on 35,223,639 ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

1998
£'000

9. Investments

Investments listed on a recognised investment exchange	<u>90,814</u>
Total listed/quoted investments	90,814
Unlisted investments	<u>63</u>
	<u><u>90,877</u></u>

	Listed/ Quoted £'000	Unquoted £'000	Total Investments £'000
Opening book cost	0	0	0
Opening unrealised appreciation	<u>0</u>	<u>0</u>	<u>0</u>
Opening valuation	0	0	0
Movements in the year:			
Transfer re rollover	39,857	66	39,923
Purchases at cost	38,397	29	38,426
Sales - proceeds	(4,355)	0	(4,355)
- realised gains on sales	591	0	591
Movement in unrealised appreciation/(depreciation)	<u>16,324</u>	<u>(32)</u>	<u>16,292</u>
Closing valuation	<u><u>90,814</u></u>	<u><u>63</u></u>	<u><u>90,877</u></u>
Closing book cost	74,490	95	74,585
Closing unrealised appreciation/(depreciation)	<u>16,324</u>	<u>(32)</u>	<u>16,292</u>
	<u><u>90,814</u></u>	<u><u>63</u></u>	<u><u>90,877</u></u>

1998
£'000

Realised gains on sales	591
Loss suffered on options re rollover	(610)
Increase in unrealised appreciation	<u>16,292</u>
Gains on investments	<u><u>16,273</u></u>

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

1998
£'000

10. Debtors

Tax recoverable	103
Prepayments and accrued income	300
Other debtors	118
	<u>521</u>

1998
£'000

11. Creditors: amounts falling due within one year

Dividend	1,057
Other creditors	<u>233</u>
	<u>1,290</u>

No provision has been made for Advance Corporation Tax on the proposed dividend as sufficient UK dividend income will be available to relieve the liability.

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

1998
£'000

12. Called-up share capital

Authorised: as at 31 January 1998

60,000,000 Ordinary Shares of 10p each	6,000
60,000,000 Zero Dividend Preference Shares of 100p each	<u>60,000</u>

Called-up and fully-paid: as at 31 January 1998

35,223,639 Ordinary Shares of 10p each *	3,522
35,223,639 Zero Dividend Preference Shares of 100p each	<u>35,224</u>
	<u>38,746</u>

* 27,494,766 shares have been allotted with a further 7,728,873 shares remaining to be allotted to PEP holders.

Rights Attaching to the Ordinary Shares and Zero Dividend Preference Shares

Income

The Ordinary shares carry the right to receive the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim or final dividend at such times as the Directors may determine.

The Zero Dividend Preference Shares carry no rights to receive dividends out of the revenue or any other profits of the Company.

Capital

On a winding-up or other return of assets of the Company, the assets of the Company available for distribution to Shareholders after payment of all debts and satisfaction of all liabilities of the Company (including the costs of winding-up, if appropriate) will be applied as follows (and, in each case, distributed among the holders of Shares of each class rateably according to the amounts paid or credited as paid up on such shares held by them):-

- (i) first, there shall be paid to the holders of the Zero Dividend Preference Shares an amount equal to 126.75p per Zero Dividend Preference Share as increased on the 26th day of each month at a rate of 8.775517 per cent per annum (compounding annually on 26 March in each year from 1998 to 2004), the first such increase occurring on 26 April 1997 (in respect of the period from 26 March 1997) and the last on 26 March 2004; and
- (ii) secondly, there shall be paid to the holders of Ordinary Shares all further surplus assets of the Company available for distribution.

13. Reserves

At 3 February 1997

	Redemption reserve £'000	Share premium account £'000	Capital reserve - realised £'000	Capital reserve - unrealised £'000	Revenue reserve £'000
Net gain on realisation of investments			(19)		
Increase in unrealised appreciation				16,292	
Arising from issue of shares	9,422	32,549			
Cost of issue		(1,364)			
Management fees charged to capital			(449)		
Loss on gilt re reconstruction			(114)		
Taxation			111		
Transfer to redemption reserve	3,242		(3,242)		
Retained net revenue for the year					505
At 31 January 1998	<u>12,664</u>	<u>31,185</u>	<u>(3,713)</u>	<u>16,292</u>	<u>505</u>

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

14. Net asset value per share

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

	Net asset value per share attributable 1998 p	Net asset values attributable 1998 £'000
Ordinary shares	135.68	47,791
Zero Dividend Preference Shares	135.95	47,888

The movements during the year of the assets attributable to the ordinary shares were as follows:

	Ordinary shares (basic) £'000	Zero Dividend Preference Shares £'000	Total £'000
Total net assets attributable at beginning of year	-	-	0
Capital subscribed	36,071	44,646	80,717
Costs of issue	(1,364)		(1,364)
Total recognised gains/(losses) for the year	14,889		14,889
Loss on gilt re reconstruction	(114)		(114)
Dividend appropriated in the period	(1,691)		(1,691)
Other movements	-	3,242	3,242
Total net assets attributable at end of period	47,791	47,888	95,679

Basic net asset value per ordinary share is based on net assets, and on 35,223,639 ordinary shares, being the number of ordinary shares in issue at the period-end.

Ivory & Sime Optimum Income Trust Plc
Notes to the financial statements (continued)

1998
£'000

15. Reconciliation of movements in shareholders' funds

Shareholders' funds at 3 February 1997	-
Premium resulting from issue of shares	32,549
Increase in share capital	3,522
Costs of Issue	(1,364)
Dividends payable in respect of equity shares	(1,691)
Loss on gilt re reconstruction	(114)
Total recognised gains before dividends	<u>14,889</u>
Shareholders' funds at 31 January 1998	<u><u>47,791</u></u>