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THE INVESTMENT COMPANY PLC

REGISTERED No. 4205
ENGLAND AND WALES

REPORT AND ACCOUNTS

31st MARCH 2001

CONTENTS

DIRECTORS AND ADVISERS

P. F. Simms LL.B. *(Chairman)*
S. J. Cockburn *(Managing Director)*
Miss J. B. Webb
P. S. Allen
R. B. Wild

P. F. Simms LL.B. Solicitor. Appointed a Director in January 1988 and Chairman in September 1994. He is Senior Partner of The Bower Cotton Partnership and is chairman of Saregama plc and a non-executive director of several private companies.

S. J. Cockburn was appointed Managing Director in September 1994. He is chairman of Archimedes Investment Trust plc and a director of seven other Investment Trusts. He is also Chairman of Ionian Group Limited.

Miss J. B. Webb is a retired librarian and teacher and was a leader in the Guide Association for over 30 years. She is a director of the parent company, New Centurion Trust Limited.

P. S. Allen trained as an investment analyst with Kleinwort Benson. For many years he has managed portfolios specialising in preference shares.

R. B. Wild was for 24 years a specialist in fixed income securities with Gilbert Eliott & Co. He is a director of Aberdeen Preferred Income Investment Trust plc.

Secretary and Registered Office
R. J. M. Neal
18th Floor, Royex House
Aldermanbury Square
London EC2V 7HR

Auditors
Saffery Champness
Fairfax House
Fulwood Place
Gray's Inn
London WC1V 6UB

Solicitors
The Bower Cotton Partnership
36 Whitefriars Street
London EC4Y 8BQ

Bankers
Barclays Bank plc
6 Clarence Street
Kingston upon Thames
Surrey KT1 1NY

Registrars
IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Managers
Ionian Investment Management
18th Floor, Royex House
Aldermanbury Square
London EC2V 7HR

CHAIRMAN'S STATEMENT

As I pointed out in my Interim Statement in November, income from the smaller remaining portfolio of investments after the buy-in of 3,890,602 participating preference shares at 100p in April 2000 was inevitably going to be reduced. At the half-way stage total operating income was down from £842,494 to £683,137. Over the full year, in which no deemed income distributions were received (2000: £107,034, 1999: £362,503) total operating income fell from £1,546,100 to £1,303,145.

At the net level income is lower because of bank interest payable on the overdraft taken out partly to finance the purchase of preference shares referred to above. This amounted to £80,522. Other expenses were lower due to the management fee being charged on a smaller portfolio: £165,931 against £190,000.

Your Directors indicated at the time of the interim dividend declaration of 4p (compared with 2.5p last year) that they expected to recommend a final dividend of 6p, to make a total of 10p (2000: 8.5p; 1999: 5.5p). I am pleased to say that your Directors expectations have been fulfilled and their recommendation is that a final dividend of 6p per share be paid on 10th August 2001.

As mentioned there have been no deemed income distributions this year. Such receipts usually arise on the redemption of preference issues at prices above the par value of the shares. In consequence such income is by definition of a non-recurring nature although in recent years there have been fairly regular such receipts. The earnings of 11.99p in the absence of such one-off revenue suggests that present dividends will be maintainable out of regular income.

A total dividend of 9p per Participating Preference Share will be payable if the final recommended dividend of 6p per ordinary share is approved and the Directors anticipate that the dividends on both classes of shares will be at least maintained in the current year.

Since I wrote to you at the end of November the Company has received the proceeds of the satisfactory takeover bid for Powell Duffryn preference shares which followed similar realisations for Waterdorm (formerly Whitecroft), Gaskell, Hunting, and James Finlay. Hyder's preference shares were redeemed in January and Kvaerner redeemed its debentures and loan stocks in February. Cathay International preference shareholders received a seemingly low offer for their shares in February but on balance the directors decided the cash bird in the hand was worth more than the theoretical entitlement in the Chinese bush and we sold out.

The constituency of preference issues in which your Company has specialised for many years is continuing to shrink. The current year to 31st March 2002 has already seen the announcement of repayments from Simon Group of its two remaining issues in which we hold about a quarter of the stock and of Drummond Group where we hold 22%. While both profitable and the pleasing outcome of a long-term strategy which has produced excellent returns for our shareholders, it does mean that our managers are having to look elsewhere to invest our funds.

Loans at attractive rates of interest with warrants or options to enable participation in the equity of the borrower have been made to several unlisted companies, one of which Environmental Polymers Group has already been admitted to trading on the Alternative Investment Market. We continue to seek such opportunities although cognisant of the extra risk which may be associated with investments not enjoying the regulatory protection afforded by the United Kingdom Listing Authority (formerly the listing department of the London Stock Exchange).

The result of the General Election is broadly no change (the exact opposite of a "landslide" which quite wrongly appeared in headlines in normally literate newspapers) but whether the next four years will see the sort of stability and reasonably comfortable prosperity experienced over the last four remains to be seen. Mr Blair's first Government inherited an economy in good shape and the decision to give the Bank of England responsibility to set interest rates won deserved praise. It was something a Conservative Government would probably never have felt inclined to do. It is hard to see how any future Government could justify taking back the power to set interest rates with the obvious risk of interference for political ends.

Since it is apparent that the Conservative campaign to 'Save the Pound' has fallen on deaf ears the probability of joining the Common European Currency must have increased. It will be interesting to see how Mr Blair's second administration sets about gently devaluing our currency to get it ready for entry at an appropriate level.

P. F. Simms

Chairman

DIRECTORS' REPORT

The Directors have pleasure in presenting to the Members the Company's financial statements for the year ended 31st March 2001.

Review of the Business

The principal activities of the Company are investment in preference shares and prior charge securities with a view to achieving a high rate of income and capital growth over the medium term. A full review of current business is given in the Chairman's Statement.

Results and Dividends

The net revenue on ordinary activities, after taxation, is £940,157 (2000: £1,280,133).

Your Directors recommend the payment of a final dividend of 6p per ordinary share which together with the interim dividend of 4p makes a total of 10p for the year. Half-yearly dividends have been paid on the Participating Preference Shares of 5.125p on 1st October 2000 and of 3.5p on 1st April 2001.

Future Developments

Redemptions and buy outs by companies of their preference share issues (while usually realising profits for the Company) is resulting in a higher level of investment in other forms of fixed-interest securities. These include unquoted investments in secured loans with equity participations

Directors and their Share Interests

The Directors holding office during the year were:

*P. F. Simms	Chairman
S. J. Cockburn	Managing Director
*Miss J. B. Webb	
*Peter S. Allen	
*Robert B. Wild	

* Non-executive

Miss J B Webb will retire by rotation at the Annual General Meeting and offers herself for re-election.

The beneficial share interests of the Directors in office at the end of the financial year were:

	31st March 2001		31st March 2000	
	Ordinary 50p	Participating Pref. 50p	Ordinary 50p	Participating Pref. 50p
Estate of Major G. L. Webb	–	–	1,717,565*	3,857,144*
New Centurion Trust Ltd.	**1,717,565***	–	–	–
P. F. Simms	**5,000**	–	5,000	–
S. J. Cockburn**	**107,797**	**28,000**	102,797	28,000
Miss J. B. Webb	**51,200**	**204,800**	51,200	204,800
Peter S. Allen	**20,000**	–	20,000	–
Robert B. Wild	**33,000**	**100,000**	33,000	100,000

* New Centurion Trust Limited was until 29th March 2001 controlled by the Estate of Major Webb, whose Executors were Miss J. B. Webb and Mr P. F. Simms. Miss Webb was also a beneficiary under Major Webb's will. On 10th April 2000 the Estate of Major Webb disposed of all its holding, held through New Centurion Trust Limited, of 3,857,144 participating preference shares by acceptance of the Tender Offer made by the Company on 20th March 2000. On 29th March 2001 the Estate of Major Webb transferred all its interest in New Centurion Trust Limited to beneficiaries under Major Webb's will, including Miss J. B. Webb..

** In addition, Mr S. J. Cockburn has a non-beneficial interest in 7,500 ordinary shares and 14,000 participating preference shares.

There have been no other changes in the above interests since 31st March 2001.

Directors' interests in contracts

Details of Directors' interests in contracts are shown in Note 12 to the financial statements.

Substantial interests

At the date hereof, the Company had been notified of holdings of 3% or more in its ordinary share capital as follows:

	Ordinary shares
New Centurion Trust Limited	61.37%
Funds managed by Aberdeen Asset Managers plc (including 7.85% held by Jove Investment Trust plc)	8.56%
Pyman Bell (Holdings) Limited	5.85%
S. J. Cockburn and family interests	4.12%

Miss J. B. Webb is a substantial shareholder in New Centurion Trust Limited. Miss Webb and Mr P. F. Simms are directors of New Centurion Trust Limited.

Mr S. J. Cockburn is a non-executive director of Jove Investment Trust plc.

Purchase of own shares

Pursuant to a Tender Offer made on 20th March 2000 and which closed on 10th April 2000, the Company purchased 3,890,602 of its own Participating Preference shares at 100p ex-dividend leaving 7,009,805 in issue. A resolution will be proposed at the Annual General Meeting to extend the period of the Directors' authorisation to make purchases of its own shares.

Corporate Governance

The Board considers that the Company has complied throughout the year under review with the provisions contained in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") appended to the Listing Rules of the UK Listing Authority, having regard to the size and nature of the Company's business and its management structure. In particular the balance of executive and non-executive Directors has been designed to ensure the independence of the Board from the Company's controlling shareholder. The function of an Audit Committee is considered to be most effectively carried out by the Board as a whole. The Remuneration Committee which consists of the four non-executive Directors had no cause to meet during the year.

Going Concern

The Directors believe that it is appropriate to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable. The Directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly have continued to adopt the going concern basis in preparing the financial statements.

Internal Control

The Combined Code requires that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets.

The Board has contractually delegated to Ionian Investment Management ("The Manager") all day to day accounting and company secretarial duties as well as the management and safe custody of its investments. The Manager prepares management accounts, valuations of investments, statements of transactions and forecasts of cash surpluses or requirements which are provided in advance of all regular meetings of the Board (which are held at least four times a year). Mr Cockburn, as Managing Director and also representing the Manager, presents these documents at the meetings to allow the Board as a whole to assess the Company's activities and review its performance. The four non-executive Directors may also assess the performance of the Manager.

The Board considers, at each meeting, future strategy with regard to the investment criteria to be followed by the Manager, including criteria concerning risk. The Board may seek independent advice regarding any proposed investments of an unusual nature, such as investments in unquoted securities.

The Manager, being regulated under the Financial Securities Act 1986, continually reviews its own compliance procedures in accordance with the financial, safe custody, conduct of business and other rules to which it is subject.

At its June Board meeting, the Board carried out an annual assessment of internal controls for the year to 31st March 2001 by considering documentation from the Manager, including their internal control and compliance functions and taking account of events since 31st March 2001. The Board has in place procedures enabling it to continue to implement for the accounting period ending 31st March 2002 a system of internal controls in accordance with the guidance *(Internal Control: Guidance for Directors on the Combined Code)* published by the Turnbull Working Party in September 1999.

Creditor payment policy
The Company's policy is to pay suppliers by return of post.

Taxation Status
The Company has been throughout the year ended 31st March 2001 a close company within the meaning of the Income and Corporation Taxes Act 1988 and there has been no change in this respect since the year end.

Annual General Meeting
Notice of the Annual General Meeting, which is to be held at Fairfax House, Fulwood Place, Gray's Inn, London WC1V 6UB at 12 noon on Tuesday, 17th July 2001 is set out on pages 19 and 20.

Auditors
Saffery Champness have expressed their willingness to continue in office as Auditors and in accordance with the provisions of the Companies Act 1985 a resolution for their reappointment will be proposed at the Annual General Meeting.

by Order of the Board
Robert J. M. Neal
Secretary

18th Floor
Royex House
Aldermanbury Square
London EC2V 7HR

25th June 2001

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 its profit or loss 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 departures 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE INVESTMENT COMPANY PLC
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of The Investment Company PLC for the year ended 31st March 2001 which comprise the revenue account, the balance sheet, the cash flow statement, the statement of recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the United Kingdom Listing Authority.

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

We review whether the corporate governance statement on page 5 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Directors' Report, the Statement of Directors' Responsibilities and the Statement of Twenty Largest Investments. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 31st March 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

Saffery Champness
Chartered Accountants and
Registered Auditors

Fairfax House
Fulwood Place
Gray's Inn
London WC1V 6UB

25th June 2001

REVENUE ACCOUNT

For the year ended 31st March 2001

	Notes	Year to 31st March 2001 £	Year to 31st March 2000 £
Total income	2	**1,303,145**	1,546,100
Expenses	3	**408,878**	345,681
		894,267	1,200,419
Taxation recoverable	4	**45,890**	79,714
Net revenue, after taxation		**940,157**	1,280,133
Dividends paid and proposed	5	**884,455**	1,096,287
Transfer to reserves	10	**55,702**	183,846
Earnings per 50p Ordinary Share	6	**11.99p**	15.07p
Net asset value per 50p Ordinary Share		**302.57p**	342.46p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st March 2001

	2001 £	2000 £
Distributable profits		
Net revenue, after taxation	**940,157**	1,280,133
Non-distributable profits		
Net profit on disposals of investments	**659,892**	1,267,128
Tax on realised gains	**(102,291)**	(204,002)
Unrealised depreciation of investments	**(1,710,293)**	(1,060,442)
	(1,152,692)	2,684
Total recognised gains and losses	**(212,535)**	1,282,817

BALANCE SHEET

At 31st March 2001

	Notes	31st March 2001 £	31st March 2001 £	31st March 2000 £	31st March 2000 £
Fixed assets					
Investments at cost			15,605,183		16,098,346
Unrealised appreciation			964,882		2,675,175
Investments at market value	7		16,570,065		18,773,521
Current assets					
Debtors	8	1,091		7,251	
Cash at bank		13,293		2,455,981	
		14,384		2,463,232	
Current liabilities					
Bank overdraft		501,556		–	
Dividends		413,258		549,429	
Corporation tax		45,564		63,698	
Other creditors		146,508		139,016	
		1,106,886		752,143	
Net current (liabilities)/assets			(1,092,502)		1,711,089
Net assets			15,477,563		20,484,610
Capital and reserves					
Called up share capital	9		4,954,195		6,899,495
Revaluation reserve	10		964,882		2,675,175
Capital reserve	10		6,041,616		5,484,015
Capital redemption reserve	10		2,052,300		107,000
Revenue reserves	10		1,464,570		5,318,925
Shareholders' funds (including non-equity interests)	14		15,477,563		20,484,610
Net asset value per:					
Participating Preference Share of 50p (7,009,805 shares)			100.00p		100.00p
Ordinary Share of 50p (2,798,584 shares)			302.57p		342.46p

P. F. Simms
S. J. Cockburn
Directors

Approved by the Board
25th June 2001

NOTES ON THE ACCOUNTS

For the year ended 31st March 2001

1 **Accounting Policies**

(a) **Convention**

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable accounting standards.

(b) **Revenue and Expenditure**

Revenue includes dividends and interest from investments payable on or before the balance sheet date. Deposit interest receivable, expenses and interest payable are accounted for on an accruals basis.

(c) **Investments**

All investments held as fixed assets are shown in the balance sheet at valuation. The difference between book cost and valuation is shown in note 7. Profits and losses on the realisation of investments held as fixed assets are taken to capital reserve.

Investments listed on a recognised Stock Exchange have been valued at middle market prices at the close of business on the balance sheet date. Unlisted investments have been valued by the Directors at the year end based upon dealing prices where available or stockbrokers' valuations, net asset values or other relevant information.

2. **Total Income**

	2001 £	2000 £
Dividend income	**1,064,117**	1,147,197
Other income from investments	**231,425**	181,607
Deemed income distributions	**–**	107,034
Interest	**7,603**	110,262
	1,303,145	1,546,100

3. **Administrative Expenses**

	2001 £	2000 £
Staff costs (see note 3a)	**65,809**	60,922
Management expenses	**330,444**	270,059
Auditors remuneration: Audit fees	**8,250**	8,000
Non audit fees	**4,375**	6,700
	408,878	345,681

(a) Staff costs during the year:

	2001 £	2000 £
Salaries and fees	**48,000**	44,000
Social Security costs	**3,724**	3,250
Pension costs	**14,085**	13,672
	65,809	60,922

	Number	Number
The average number of persons employed by the Company during the year who were all Directors, was	**5**	5

The Directors' remuneration of £48,000 (2000: £44,000) comprised £12,000 (2000: £11,000) to Mr Cockburn, £12,000 (2000: £11,000) to Miss J. B. Webb, £12,000 (2000: £11,000) to Mr P. S. Allen and £12,000 (2000: £11,000) to Mr R. B. Wild.

Mr P. F. Simms received no fee as chairman but as indicated in Note 12, the Bower Cotton Partnership received fees for legal services provided.

Also described in Note 12 are fees paid to companies in the Ionian group, in which Mr Cockburn has an interest, for the services of Mr Neal as company secretary and for investment management and administrative services.

4. Taxation

	2001 £	2000 £
Revenue Account:		
Relief for Management Charges	**(50,955)**	(16,714)
Overprovision in respect of prior years	**5,065**	(63,000)
	(45,890)	(79,714)
Capital Account:		
Tax on realised gains (Note 10)	**102,291**	204,002
	56,401	124,288

5. Dividends

	2001 £	2000 £
Non-Equity: Participating Preference Shares	**604,596**	858,407
Equity: Ordinary Shares:		
Interim 4p (2000: 2.5p)	**111,944**	69,965
Final proposed 6p (2000: 6p)	**167,915**	167,915
	884,455	1,096,287

6. Earnings per Share

	2001 £	2000 £
The calculation of the earnings per share is based on the following:		
Revenue after taxation	**940,157**	1,280,133
Preference dividend	**(604,596)**	(858,407)
	335,561	421,726
Ordinary Shares of 50p each	**2,798,584**	2,798,584
Earnings per share	**11.99p**	15.07p

7. Fixed Asset Investments

	2001 £	2000 £
Valuation at 1st April 2000	**18,773,521**	19,094,570
Unrealised appreciation at 1st April 2000	**(2,675,175)**	(3,735,617)
Cost at 1st April 2000	**16,098,346**	15,358,953
Additions	**1,431,773**	4,162,026
Cost of disposals	**(1,924,936)**	(3,422,633)
Cost at 31st March 2001	**15,605,183**	16,098,346
Unrealised appreciation at 31st March 2001	**964,882**	2,675,175
Valuation at 31st March 2001	**16,570,065**	18,773,521
Aggregate value of investments listed on a recognised Stock Exchange	**12,928,768**	15,036,877
Other investments at Directors' valuation	**3,641,297**	3,736,644
	16,570,065	18,773,521

8. Debtors due within one year

	2001 £	2000 £
Sundry debtors	**1,091**	7,251

9. Share Capital

	2001 £	2000 £
Authorised		
3,260,000 Ordinary Shares of 50p each	**1,630,000**	1,630,000
12,640,000 Participating Preference Shares of 50p each	**6,320,000**	6,320,000
100,000 Deferred Shares of 50p each	**50,000**	50,000
	8,000,000	8,000,000
Allotted, issued and fully paid		
Non-Equity:		
7,009,805 (2000: 10,900,407) Participating Preference Shares of 50p each	**3,504,903**	5,450,203
100,000 (2000: 100,000) Deferred Shares of 50p each	**50,000**	50,000
Equity:		
2,798,584 (2000: 2,798,584) Ordinary Shares of 50p each	**1,399,292**	1,399,292
	4,954,195	6,899,495

The Participating Preference Shares entitle the holders, in priority to the payment of any dividend to the holders of all or any other shares in the capital of the Company, to a fixed net cash cumulative dividend at the rate per annum of 7p per share. In addition, holders are entitled to a participating dividend at the rate of 25% of any dividends paid on the Ordinary Shares in excess of 2p net per share for any year, subject to a maximum participating dividend in respect of any year of 3p net per share. Upon a return of capital, holders of the Participating Preference Shares are entitled to repayment of the nominal amount of capital of 50p paid up on each share together with a premium of an additional 50p per share in priority to the distribution of any surplus assets amongst the holders of the Ordinary Shares. The Participating Preference Shares confer voting rights only in certain circumstances.

The Deferred Shares confer no voting or dividend rights and negligible rights upon a repayment of capital. The Directors intend that application will be made to the High Court for their cancellation in due course.

By way of Tender Offer closing on 10th April 2000, the Company purchased 3,890,602 Participating Preference Shares at 100p ex-dividend leaving 7,009,805 in issue.

10. Reserves

	2001 £	2000 £
Revaluation reserve (Note 7)		
Balance at 1st April 2000	**2,675,175**	3,735,617
Depreciation in market value of investments	**(1,710,293)**	(1,060,442)
Balance at 31st March 2001	**964,882**	2,675,175
Other Reserves:		
Capital Reserve – realised		
Balance at 1st April 2000	**5,484,015**	4,420,889
Profit on sales of investments (page 9)	**659,892**	1,267,128
Tax on realised gains (Note 4)	**(102,291)**	(204,002)
Balance at 31st March 2001	**6,041,616**	5,484,015
Capital Redemption Reserve:		
Balance 1st April 2000	**107,000**	107,000
Purchase of own shares	**1,945,300**	–
Balance at 31st March 2001	**2,052,300**	107,000
Revenue Account:		
Balance at 1st April 2000	**5,318,925**	5,135,079
Retained earnings for the year	**55,702**	183,846
Purchase of own shares	**(3,910,057)**	–
Balance at 31st March 2001	**1,464,570**	5,318,925
Total Reserves	**10,523,368**	13,585,115

11. Ultimate Holding Company

The ultimate holding company is New Centurion Trust Limited, registered in England and Wales. Copies of the accounts prepared by the holding company will be lodged at Companies House where they may be inspected.

12. Directors' Interests

During the year the Company was charged £18,116 (2000: £19,600) by the Bower Cotton Partnership, a firm in which Mr P. F. Simms is senior partner, for legal services provided.

During the year the Company paid £165,701 (2000: £190,000) to the Ionian group of companies, in which Mr S. J. Cockburn is interested as a director and substantial shareholder, for the services of Mr R. J. M. Neal as Company Secretary and for investment management and other administrative services.

13. Contingent Liabilities

There were no contingent liabilities at 31st March 2001 (2000: Nil).

14. Reconciliation of Movements in Shareholders' Funds

	2001 £	2000 £
Revenue for the financial year	**940,157**	1,280,133
Dividends	**(884,455)**	(1,096,287)
	55,702	183,846
Purchase of own shares	**(3,910,057)**	–
Other recognised (losses)/gains relating to the year (page 9)	**(1,152,692)**	2,684
Net (reduction)/addition to shareholders' funds	**(5,007,047)**	186,530
Opening shareholders' funds	**20,484,610**	20,298,080
Closing shareholders' funds	**15,477,563**	20,484,610
Represented by:		
Non-equity shareholders	**7,009,805**	10,900,407
Equity shareholders	**8,467,758**	9,584,203
	15,477,563	20,484,610

The non-equity shareholders' interests are the interests in the Participating Preference Shares and the Deferred Shares.

CASH FLOW STATEMENT

For the year ended 31st March 2001

	Notes	2001 £	2001 £	2000 £	2000 £
Operating activities					
Cash received from investments		**1,271,631**		1,383,482	
Interest received		**8,848**		132,683	
Cash paid to and on behalf of employees		**(66,763)**		(59,268)	
Other cash payments		**(331,682)**		(287,350)	
Net cash inflow from operating activities	1		**882,034**		1,169,547
Returns on investments and servicing of finance					
Non-equity dividends paid		**(740,767)**		(858,407)	
Net cash outflow from returns on investments and servicing of finance			**(740,767)**		(858,407)
Taxation					
UK corporation tax repaid		**10,996**		2,862	
UK corporation tax paid		**(61,758)**		(100,000)	
			(50,762)		(97,138)
Capital expenditure and financial investment					
Purchase of investments		**(1,431,774)**		(4,224,105)	
Purchase of own shares		**(3,910,057)**		–	
Sale of investments		**2,584,829**		4,692,356	
Net cash (outflow)/inflow from capital expenditure and financial investment			**(2,757,002)**		468,251
Equity dividends paid			**(279,859)**		(167,915)
Unclaimed dividends			**2,112**		702
Decrease/(increase) in cash	2		**(2,944,244)**		515,040

NOTES ON THE CASH FLOW STATEMENT

For the year ended 31st March 2001

		2001 £	2000 £
1.	Reconciliation of operating profit to net cash inflow from operations:		
	Income before interest payable and taxation	**894,267**	1,200,419
	Decrease/(increase) in debtors	**6,160**	(5,607)
	Increase/(decrease) in creditors	**5,379**	(1,675)
	Withholding tax on investment income	**(23,772)**	(23,590)
		882,034	1,169,547

2. Analysis of net (debt)/funds

	At 31st March 2001 £	Cash Flow £	At 1st April 2000 £
Cash at bank	**(488,263)**	(2,944,244)	2,455,981

TWENTY LARGEST INVESTMENTS

At 31st March 2001

	Stock	Number	Issue	Book	Market or directors' valuation	% of total portfolio
1.	**Whitnash (fmly Automotive Products)**					
	5% cum pref £1	139,900	27.98%	62,872	74,497	
	6½% 2nd cum pref £1	403,322	12.91%	289,165	230,902	
	9% cum pref £1	705,255	9.40%	676,067	788,122	
				1,028,104	1,093,521	6.60%
2.	**Retail Corporation**					
	5¾% 2nd cum pref £1	573,269	25.15%	455,817	455,749	
	6½% 3rd cum pref £1	259,438	4.96%	204,637	231,548	
	6½% cum pref £1	413,877	11.83%	373,094	368,351	
				1,033,548	1,055,648	6.37%
3.	**Swallow Group (fmly Vaux Group)**					
	4½% 'A' cum pref £1	355,420	29.91%	187,052	289,521	
	6½% 'A' cum pref £1	493,537	32.90%	412,065	468,860	
	7% cum pref £1	79,925	20.60%	57,252	80,524	
				656,369	838,905	5.06%
4.	**Environmental Polymers Group***					
	10% unsecured loan stock 2003†	£495,000	96.12%	495,000	495,000	
	Warrants to subscribe for shares†	3,300,000	87.61%	–	189,750	
				495,000	684,750	4.14%
5.	**Illingworth Morris and subsidiary companies**					
	I.M. 6½% 2nd cum pref £1	345,208	34.52%	217,707	209,714	
	I.M. 6½% cum pref £1	384,688	38.47%	238,134	233,698	
	I.M. (Saltaire) 4½% cum pref £1†	72,541	7.25%	28,229	36,271	
	I.M. (Saltaire) 7% non-cum pref 50p†§	140,223	11.69%	41,609	54,687	
	Schneiders, S. & Son 6% cum red pref †	23,582	7.26%	16,153	15,800	
				541,832	550,169	3.32%
6.	**600 Group**					
	4½% cum pref £1	624,894	41.66%	339,571	398,370	
	6½% cum pref £1	100,000	10.00%	89,445	90,000	
				429,016	488,370	2.95%
7.	**Delta Group**					
	4½% cum pref £1	444,017	22.89%	248,178	313,032	
	6½% 2nd cum pref £1	178,444	20.60%	139,701	168,630	
				387,879	481,662	2.91%
8.	**Fleet Tanks (UK)****					
	10% secured loan 2004/5†	£480,000	100%	480,000	480,000	2.90%
9.	**Coutts Consulting Group**					
	5p cnv pref £1†§	300,000	6.00%	179,394	262,500	
	8p cnv pref £1†§	195,000	5.20%	195,840	195,000	
				375,234	457,500	2.76%
10.	**Peninsular & Oriental Steam Navigation Company**					
	5% cum pref £1§	£504,151	15.08%	350,670	454,996	2.75%
11.	**Warburg (S.G.) Group**					
	7.625% cum pref £1	400,000	3.66%	384,483	429,000	2.59%

TWENTY LARGEST INVESTMENTS *continued*

At 31st March 2001

Stock	Number	Issue	Book	Market or directors' valuation	% of total portfolio
12. **Coats Viyella**					
4.9% cum pref £1	556,881	3.81%	379,445	409,308	2.47%
13. **Rexam**					
7¾% cum cnv red pref £1	311,111	0.45%	401,271	369,444	2.23%
14. **Reckitt & Benckiser**					
5% cnv pref £1	450,000	10.00%	311,193	353,250	2.13%
15. **Simon Group**					
5.4% cum pref £1	194,718	27.82%	127,842	150,240	
6% cum pref £1§	223,184	24.20%	111,650	199,192	
			239,492	349,611	2.11%
16. **City Site Estates**					
5¼% cnv pref†	1,050,000	6.66%	419,341	336,000	2.03%
17. **Balfour Beatty**					
9.675p (10.75p gross) cum cnv red pref §	250,000	0.14%	216,968	320,625	1.93%
18. **Amalgamated Metal**					
5.4% cum pref £1†	256,065	18.22%	144,049	163,882	
6% cum pref £1†	213,510	23.72%	103,844	151,592	
			247,893	315,474	1.90%
19. **REA Holdings**					
9% cum pref £1	406,822	7.04%	350,013	313,253	1.89%
20. **John Cotton (Mirfield)**					
13¼% cum pref £1†	290,000	38.67%	246,931	290,000	1.75%
			8,974,682	10,071,486	60.79%

§ Issues with unrestricted voting rights

† Unlisted investments at Directors' Valuation

* Environmental Polymers Group plc: The business of this company is the development and manufacture of biodegradable polymer products. Each warrant gives entitlement to subscribe for one ordinary share at 15p. The 3,300,000 warrants held represent an entitlement to 4.22% of the current issued ordinary share capital of Environmental Polymers Group.

** Fleet Tanks (UK) Ltd: The loan is secured by a first legal charge on chemical tanks which are hired out in the company's business. The loan carries warrants to subscribe for ordinary shares representing 4% of the company. No value has been placed on the warrants in these Accounts.

The Company has a total of 123 holdings in 99 companies.

NOTICE OF MEETING

Notice is hereby given that the 134th ANNUAL GENERAL MEETING of members will be held at FAIRFAX HOUSE, FULWOOD PLACE, GRAY'S INN, LONDON, WC1V 6UB at 12 noon on Tuesday, 17th July 2001 for the following purposes;

Ordinary Business

1. To receive and adopt the Directors' report and accounts for the year ended 31st March 2001.
2. To declare a final dividend on the ordinary shares.
3. To re-elect Miss J. B. Webb as a Director.
4. To reappoint the Auditors and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following Resolutions which will be proposed as Ordinary Resolutions:

5. That the authority conferred by Article 10(B) of the Articles of Association of the Company (as adopted at the Extraordinary General Meeting of the Company held on 11th September 1997) to make market purchases of Ordinary Shares of 50p each and of Participating Preference shares of 50p each in its capital be further renewed so that the authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2002 but not so as to prejudice the completion of a purchase before that date, and be varied as follows:

   (a) the maximum amount of Ordinary Shares which may be so acquired is 416,989; and

   (b) the maximum amount of Participating Preference Shares which may be so acquired is 1,401,961.

6. That the power conferred by Resolution 4 passed at the Extraordinary General Meeting held on 11th September 1997 as renewed and expiring at the conclusion of this Annual General Meeting be further renewed to the effect that the Board be empowered pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities up to a maximum of the authorised but unissued share capital of each class of share capital of the Company as if Section 89(1) of the Act did not apply to such allotment and

provided that this authority shall expire 15 months from the date of the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may prior to the expiry of such authority make an offer or agreement under which relevant securities would or might fall to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

Registered Office:
18th Floor
Royex House
Aldermanbury Square
London EC2V 7HR

By ~~order~~ of the Board
Robert J. M. Neal
Secretary

Dated this 25th day of June 2001

Notes:

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

To be valid a duly executed form of proxy (and any power of attorney or other authority under which it is executed) must be lodged with the Company's registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR, not later than 12 noon on 15th July 2001. Lodgement of a form of proxy will not prevent a holder from attending and voting in person.

There will be available for inspection at 18th Floor, Royex House, Aldermanbury Square, London EC2V 7HR, during business hours on any weekday (Saturday's and public holidays excepted) from the date of this notice until the conclusion of the meeting the Register of Directors' interests in the share capital of the Company.

None of the Directors has a contract of service with the Company.

Dividend Warrants:

Subject to the approval of the final ordinary dividend at the Annual General Meeting, the dividend will be payable on 10th August 2001 to ordinary shareholders on the Register on 13th July 2001.

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