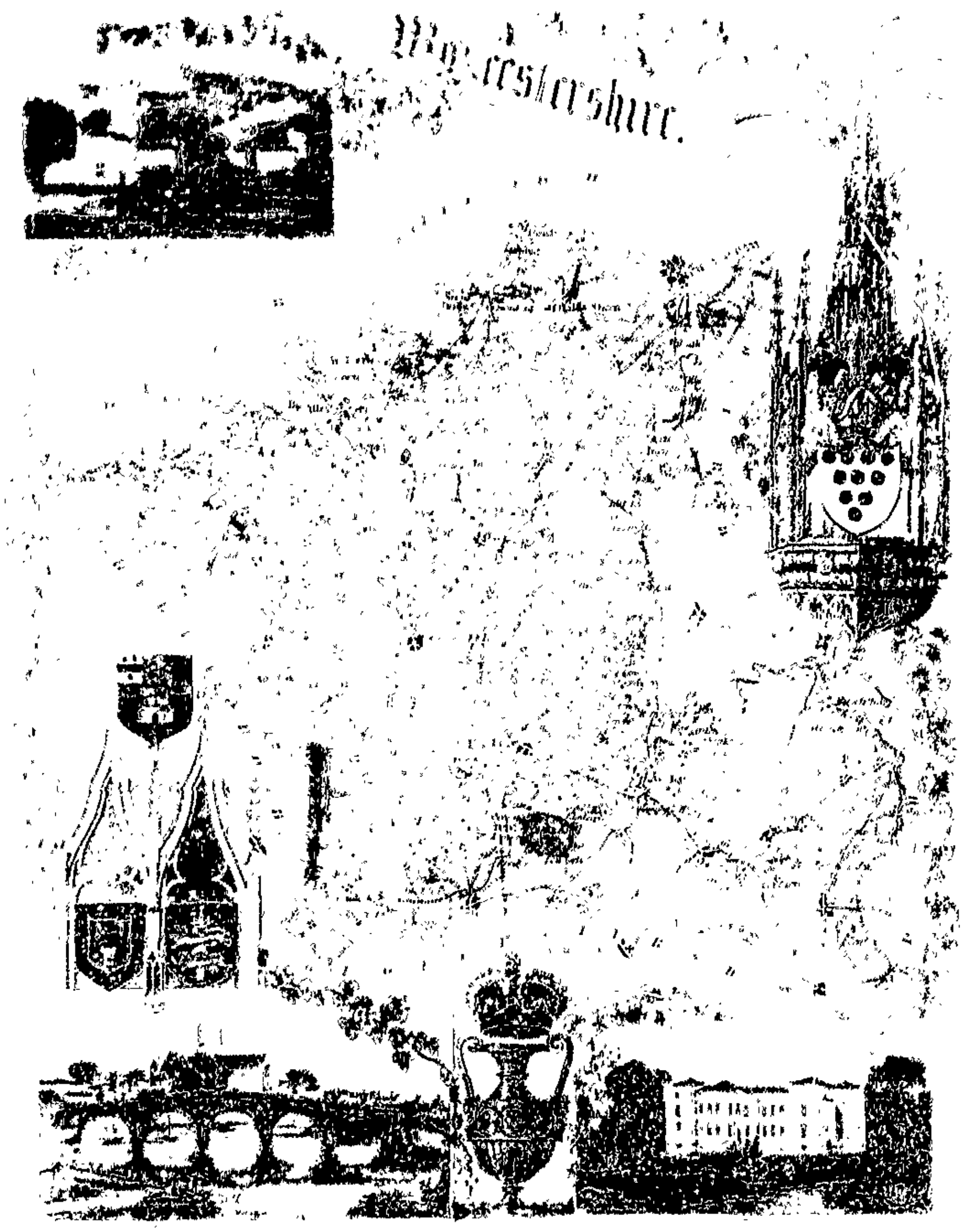


INVESTMENT plc

ANNUAL REPORT 1990 91

386561

OBJECTIVE

The objective of Shires Investment p.l.c. is to provide for shareholders a high level of income together with some growth of both income and capital from a portfolio substantially invested in UK equities.

CONTENTS

CHAIRMAN'S STATEMENT

EARNINGS

The income figures for the year to 31 March 1991 require some clarification. Investment income is well up, boosted by interest earned at high rates on the cash raised from the Index-Linked Debenture issued in March 1990, while interest paid is lower owing to substantial conversion of the Convertible Loan Stock into ordinary shares more than offsetting the first year's interest payable on the new Index-Linked Stock. The income available for the ordinary shareholders, as a result, has increased by as much as one-third: but the number of ordinary shares has also risen because of conversion.

The net result is a modest increase in undiluted earnings per share. There is a higher increase on a fully diluted basis, which allows for full conversion and the exercise of all warrants. As the Convertible Stock remaining becomes smaller (33% of the total issued is still outstanding) the margin between earnings calculated on a fully diluted and an undiluted basis will become narrower.

DIVIDEND

A final dividend of 5.80p is recommended, for payment on 31 July. This will bring total dividend payments for the year to 17.80p, an increase of 6.3% over last year's total.

INVESTMENT RETURN

As Shires concentrates particularly on high income, it is appropriate to look at the total return, which includes both income and capital. For the year under review the total return on net assets was 7.6% which compares with 12.5% on the All-Share Index, reflecting a disappointing performance by the portfolio of high-yielding convertibles.

Over the year, however, the share price rose from 210p to 238.5p as the discount narrowed, giving a total return to shareholders of 24.9%.

A feature of Shires in recent years has been the low discount of the share price to net asset value compared with most other UK investment trusts whose share prices have stood at discounts around 15%.

At 30 April 1991 Shires' shares stood at a premium above net asset value of 1%.

PAST YEAR

In 1990/91 an unusually high level of cash was held for part of the year awaiting investment. This led to very high interest income and is unlikely to recur in 1991/92.

As shareholders are aware the Board is intent on building up the equity content of the Company's assets, particularly as there is now less need for unfranked income with the Convertible Stock being so much reduced. Further good progress was made during the year and at 31 March 1991 the proportion of equity assets in the total portfolio stood at 81% against 71% a year earlier, including a smaller portion of convertible holdings. This significant increase in the exposure of the portfolio to equity assets should enhance the growth characteristics of the Company, increasing its capacity to provide growth in capital and income while maintaining a high level of distributions to ordinary shareholders.

As spelt out in the Managers' Review, the UK equity market behaved erratically in the past year. Over the first half prices fell owing to concern over inflation, fears of recession in the UK and worries about the prospect of war in the Middle East. There was a significant rise in share prices in the last quarter, as interest rates began to fall and the Kuwaiti conflict ended. Declared company earnings showed a small overall rise, but with increasing signs of slowdown and some distress as the year progressed.

Weakness in the market offered opportunities to invest the greater part of the proceeds of the Index-Linked Debenture Stock in leading UK equities and in a portfolio of smaller UK companies.

IMPORTANT DEVELOPMENTS

Glasgow Investment Managers

In mid-1990 the Board learned that EFT Group plc wished to sell its controlling interest in Glasgow Investment Managers Limited (GIM), the Managers and Secretaries of Shires. When it became clear to the Board what the impact of a change of ownership might be, we concluded that Shires itself should seek to acquire control of GIM. In December 1990, therefore, the Company acquired 81.1% of the ordinary shares of GIM for a consideration of £360,000 with the balance continuing to be held by the

CHAIRMAN'S STATEMENT

management. I have already sent to all shareholders, and holders of the preference shares warrants and Convertible Unsecured Loan Stock, a circular setting out fully the circumstances surrounding the acquisition and why the Board decided that it was the best way forward. No further comment is necessary now, except to say that the early signs suggest that our hopes for the development of GIM will be fulfilled. I would add that GIM's effect on Shires' earnings is presently minimal.

The Glasgow PEP

A year ago I told shareholders that we were planning, with GIM, to establish a Personal Equity Plan for Shires shareholders. GIM launched The Glasgow PEP in January 1991, based primarily on prospective investment in Shires Investment p.l.c. and Glasgow Income Trust plc, both high-yielding investment trusts managed by GIM. This has been very successful and investors through The Glasgow PEP and GIM Trustplan, the savings scheme arm, now hold 346,460 ordinary shares in the Company, representing 1.5% of the total.

The PEP's success clearly demonstrates the benefits which private individuals can derive from investing in high-yielding shares through a PEP. In the case of Shires the yield was 9.8% at 30 April 1991.

11% Convertible Unsecured Loan Stock 2003/2004

On 1 April 1990, as mentioned in my statement last year, £9.8 million of Stock was converted, leaving £12.6 million outstanding. At 1 April 1991, a further £3.7 million was converted. This leaves £8.9 million in issue, in spite of there being an income advantage to be gained from converting.

Special Business

Traded option premiums are a useful source of income. Options are currently written against holdings of the related stock or uninvested cash and thus no uncovered option positions are opened. The premiums earned enhance the overall returns from investment in ordinary shares.

Among the items of special business at the Annual General Meeting is a special resolution proposing alterations to the Memorandum and Articles of Association which would permit traded option premiums to be taken to revenue.

OUTLOOK

After the strong rise in the UK equity market seen in the first quarter of 1991, the direction of share prices is likely to be uncertain. There is a host of question marks on the domestic scene. In the political arena a General Election is to be held by July 1992. Increasing unemployment and stretched corporate finances underline the need for caution over company earnings. Dividend growth, so strong in recent years, has slowed down sharply and several reductions or even missed payments have been announced.

Looking further ahead, the Government will undoubtedly seek to encourage economic recovery and the expected sharp fall in reported inflation and interest rates will almost certainly take place. International influences, however, including membership of the ERM and developments in the USA and Germany, will constrain this country's ability to act independently. Signs of recovery should appear during 1992, but until unemployment steadies consumer demand will remain affected and the housing market, so strongly linked to consumer confidence, will stay depressed.

It must be remembered that Shires invests not in economic statistics like the trade balance, gross national product or inflation, but in the securities of companies. The Managers have to assess the likely future performances of individual companies, their dividend-paying capacities and the probable trends of their share prices. Because investors look forward in this way the stockmarket cycle differs from that of the underlying economy. While 1991 should witness the bottom of the current recession, the second half of 1990 probably saw the low point of the stockmarket in this cycle.

MANAGEMENT

As regards our management, we finish the year in a much more satisfactory state than we started. A year ago our Managers were owned by a third party; now we control Glasgow Investment Managers and therefore have much greater influence over our destiny. 1990 was, however, a very unsettling period for the management team, as for a large part of the year their future was uncertain. I would like to congratulate David Williams and all his team on handling the various tasks which faced them. Already in 1991 progress is being made in developing and strengthening GIM.

Michael Hardie

Chairman

MANAGERS' REVIEW

BACKGROUND
In the year to 31 March 1991 stockmarkets were volatile. Sentiment was affected by recession and the prospect of an escalation of conflict in the Gulf following the invasion of Kuwait by Iraq on 2 August 1990.

The UK economy continued to deteriorate. High interest rates caused demand to weaken and industrial output to fall. Corporate profits also fell. Companies responded by cutting back capital expenditure and some avoided paying higher dividends.

In November 1990 the appointment of a new prime minister followed a 1% cut in base rates and the application for Sterling to become part of the Exchange Rate Mechanism of the European Monetary System. Since then, stability of the currency, helped by a steady fall in inflation, has permitted further cuts in base rates.

In the early months of 1991 stockmarkets rose sharply. Investors were encouraged by lower interest rates and anticipation of easier monetary policies. In addition conflict in the Gulf proved short-lived. The corporate sector took the opportunity to rebuild balance sheets by making rights issues.

From now on investors will focus more on trends in the underlying economy. While the economy appears to be deteriorating more slowly the pace of recovery may be modest. The constraints imposed by membership of the ERM could restrict the scope for reductions in interest rates In addition the banks appear less willing to increase lending. The equity market will only make significant progress when the economic outlook becomes clearer.

PORTFOLIO
Exposure to equities continued to be increased, financed by a reduction in the cash balance and proceeds from sales of convertible holdings.

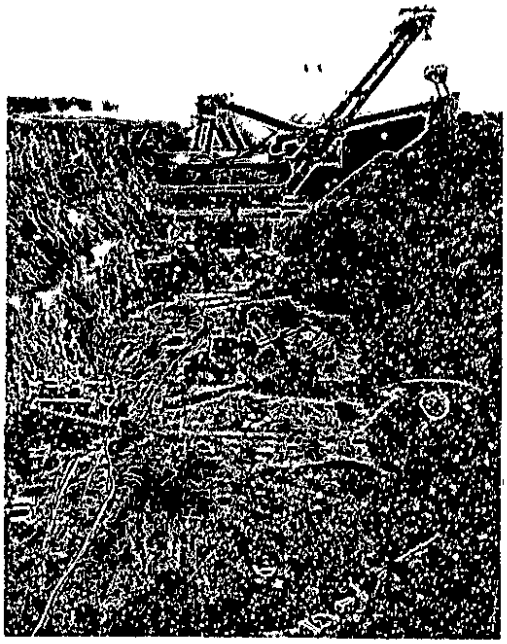
ORDINARY SHARES
Exposure to UK ordinary shares was increased from 53.7% to 66.0% of the portfolio. New holdings included:

British Telecom
This telecommunications company is a beneficiary of expansion in the underlying business and margin gains from reducing costs.

Eastern Electricity
One of the recently privatised electricity distribution companies, it has the capacity to raise dividends in real terms.

Holdings which were increased in size included:

United Biscuits
This food manufacturer has new management and the potential to achieve growth by developing its international brand names.



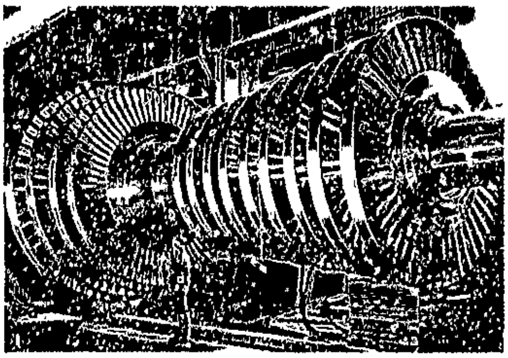
Peabody, the largest coal producer in the United States, is a subsidiary of Hanson PLC.

British Gas
The share price has underperformed in response to concern about more stringent regulation. Continued cost cutting should enable the group to maintain margins and achieve growth.

Holdings that were sold included:

Kingfisher
The share price of this high street and DIY superstore retailer had performed well in spite of a weak consumer background. It no longer met the yield objective of the portfolio.

Part of the increase in equity exposure represents investment in a portfolio of smaller companies. These companies have largely been ignored by the stockmarket since the October 1987 crash and many offer above average yields and the prospect of significant recovery. The size criterion adopted is any company with a market capitalisation of less than £250 million. As at 31 March 1991, 11 holdings had been established. The aim is to build up exposure to smaller companies to represent 10% of the equity portfolio.



GEC ALSTHOM's 1500 MW steam turbine is the largest in the world

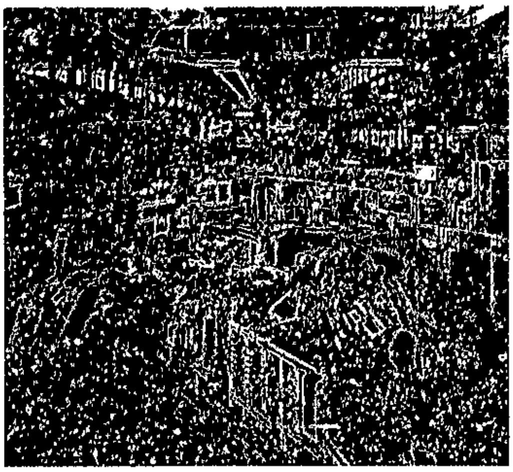
Examples include:

Johnson & Firth Brown
An engineering company involved in the supply of components to the aerospace and oil industry.

Brent Chemicals
This speciality chemicals manufacturer produces surface treatments for the aerospace and electronics industries.

Sidlaw Group
A conglomerate involved in textiles, oil services and packaging. While the textiles industry is depressed Sidlaw is likely to recover because both oil services and packaging are currently achieving growth.

CONVERTIBLES
Exposure to this sector fell from 13.7% to 12.1%. This resulted from price weakness among high-yielding issues,



GKN Sankey's new automated manufacturing line at Telford, producing crossmembers for the new Ford Escort.

the conversion of mature convertibles such as Caparo 8.75% and the sale of those stocks which no longer appeared undervalued in relation to the underlying equity. These latter included Blue Circle 7⅝% and Morgan Crucible 7.5%. New holdings among convertibles included:

Tarmac 9.5%
An international contractor with significant aggregates reserves, it should benefit as interest rates are cut and the construction industry recovers.

British Aerospace 7.75%
While UK military expenditure will continue to be cut British Aerospace is well placed to benefit from an upturn in civil aerospace orders and motor car demand.

UNQUOTED INVESTMENTS
A small amount was received during the year from realisations of investments in the unquoted portfolio. Revaluations gave rise to a modest net improvement.

TOP 30 HOLDINGS AT 31 MARCH 1991

	Market Value £000	*% of Portfolio*
ORDINARY		
British Steel	3,512	4.2
British Gas	3,384	4.0
British Petroleum	3,340	4.0
Hanson	2,[illegible]	3.5
United Biscuits	2,522	3.0
Imperial Chemical Industries	2,367	2.8
General Electric	2,206	2.6
Lonrho	2,094	2.5
GKN	2,063	2.4
Sears	1,969	2.3
Allied-Lyons	1,931	2.3
Rolls-Royce	1,607	1.9
Harrisons & Crosfield	1,540	1.8
Commercial Union	1,527	1.8
Water Holding Units	1,462	1.7
Coats Viyella	1,355	1.6
Blue Circle Industries	1,350	1.6
C. E. Heath	1,249	1.5
Trafalgar House	1,233	1.5
Standard Chartered	1,114	1.3
United Newspapers	1,069	1.2
THORN EMI	1,040	1.2
British Telecommunications	1,018	1.2
CONVERTIBLES		
Williams Holdings 8p Pref	2,260	2.7
British Airways 9¾% Capital Bond	1,335	1.6
Granada Group 7.5p Pref	1,120	1.3
Dixons Group 5p Pref	1,099	1.3
FIXED INTEREST		
Treasury 13¾% 2000/03	5,310	6.3
Treasury 13% 2000	3,112	3.7
Treasury 15½% 1998	2,775	3.3
	60,913	72.1

DISTRIBUTION OF ASSETS

	Valuation at 31 March 1990		Movement during the year			Valuation at 31 March 1991	
			Purchases	Sales	Appreciation/ (depreciation)		
	£m	%	£m	£m	£m	£m	%
Listed Investments:							
Ordinary Shares	45.2	*65.4*	16.4	(7.5)	1.6	**55.7**	*82.3*
Convertibles	11.5	*16.6*	3.4	(2.5)	(2.2)	**10.2**	*15.1*
British Government Securities	8.5	*12.3*	6.0	(4.1)	0.8	**11.2**	*16.5*
Other Fixed Interest	2.9	*4.2*	—	(1.3)	—	**1.6**	*2.4*
	68.1	*98.5*	25.8	(15.4)	0.2	**78.7**	*116.3*
Unlisted Investments	2.8	*4.1*	0.1	(0.1)	0.1	**2.9**	*4.3*
	70.9	*102.6*	25.9	(15.5)	0.3	**81.6**	*120.6*
Net Current Assets	13.3	*19.2*				**2.8**	*4.1*
TOTAL ASSETS (less *current liabilities)*	84.2	*121.8*				**84.4**	*124.7*
Index-Linked Debenture Stock	(15.1)	*(21.8)*				**(16.7)**	*(24.7)*
NET ASSETS	69.1	*100.0*				**67.7**	*100.0*
Represented by:							
Share capital and reserves	46.7					**55.1**	
Convertible Unsecured Loan Stock	22.4					**12.6**	
	69.1					**67.7**	

ANALYSIS OF PORTFOLIO

	United Kingdom %	North America %	**1991 Total %**	1990 Total %
EQUITIES AND CONVERTIBLES				
Capital goods	22.9	—	**22.9**	18.3
Consumer goods	14.9	—	**14.9**	12.5
Miscellaneous	20.6	—	**20.6**	16.5
Financial	6.0	—	**6.0**	11.0
Resources	13.5	0.1	**13.6**	9.0
	77.9	0.1	**78.0**	67.3
FIXED INTEREST STOCKS	14.9	0.3	**15.2**	13.6
UNLISTED INVESTMENTS	0.4	3.1	**3.5**	3.3
NET CURRENT ASSETS	3.3	—	**3.3**	15.8
TOTAL PORTFOLIO	96.5	3.5	**100.0%**	100.0%

DIRECTORS

Michael S. Hardie C.A. (Chairman)
Age 64. Joined the Board in March 1987 and elected Chairman in June 1987. Formerly Investment Director of Friends' Provident Life Office. Member of Investment Committee of Willis Faber.

Charles St. G. S. Clarke
Age 67. Joined the Board in 1954. Chairman from 1969 to 1984. Employed in various capacities by Powell Duffryn Group for over 45 years.

A. John R. Izat
Age 58. Joined the Board in 1988. Partner in Williams de Broe Hill Chaplin & Co, Stockbrokers, from 1955 to 1975. Director of United Auctions (Scotland) Limited and other companies.

John Stubbs
Age 47. Joined the Board in 1986. A Deputy Director of PosTel Investment Management Limited, responsible for management of their UK equity portfolios.

Michael C. W. Wildy, F.C.A.
Age 64. Joined the Board in 1989. Until 1984 Finance Director of Booker plc. Member of the Advisory Committee of Causeway Development Capital Funds.

MANAGERS AND SECRETARIES

Glasgow Investment Managers Limited
29 St Vincent Place, Glasgow G1 2DR
(a member of IMRO)

AUDITORS

KPMG Peat Marwick McLintock

SOLICITORS

Travers Smith Braithwaite

FINANCIAL ADVISER

Hambros Bank Limited

STOCKBROKERS

James Capel & Co Limited

BANKERS

National Westminster Bank PLC
Bank of Scotland

REGISTRARS AND TRANSFER OFFICE

Bank of Scotland
Registrar Department
26A York Place
Edinburgh EH1 3EY

REGISTERED OFFICE

165 Queen Victoria Street
London EC4V 4DD

REPORT OF THE DIRECTORS

STATUS OF THE COMPANY
The Company, which was incorporated in 1929, has received approval as an investment trust by the Inland Revenue for the year ended 31 March 1990 and has since conducted its affairs so as to enable it to retain such approved status. It is a member of The Association of Investment Trust Companies. The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. So far as the Directors are aware the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

PERSONAL EQUITY PLANS
The Company qualifies for the maximum investment trust limit of £3,000 in a Personal Equity Plan as it has over 50% of its assets invested in UK equities. It is your Directors' intention that the Company should continue to be a qualifying trust.

RESULTS
The financial statements now presented cover the year ended 31 March 1991. The main features are as follows:

	Year ended 31 March 1991 £000	Year ended 31 March 1990 £000
Net revenue for the year after providing all expenses, interest and taxation	**4,025**	3,007
Out of which the following dividends have been distributed or are recommended		
(a) On the 3.5% cumulative preference shares	**2**	2
(b) On the ordinary shares	**3,764**	2,714
	3,766	2,716
Balance transferred to revenue reserve	**259**	291
Net assets attributable to the ordinary shareholders based on investments at market value	**55,064**	46,720
Net asset value per ordinary share	**260.39p**	287.26p
Fully diluted net asset value per ordinary share (see note)	**242.50p**	247.35p
Earnings per ordinary share	**19.03p**	18.65p
Fully diluted earnings per ordinary share (see note)	**17.71p**	16.43p
Dividends per ordinary share	**17.80p**	16.75p

Note:
The fully diluted net asset value and earnings per ordinary share figures are calculated on the basis that all of the warrants are exercised and all of the Loan Stock is converted (see notes 10, 17 and 18 to the financial statements).

DIVIDENDS
A final dividend of 5.80p per share is proposed which, together with the interim dividends already paid, takes the total dividends for the year to 17.80p per share. This compares with dividends totalling 16.75p per share for the year ended 31 March 1990.

ACTIVITIES
The Company is an authorised investment trust and has two subsidiary undertakings, Topshire Limited and Wiston Investment Company Limited, engaged in investment dealing. On 28 December 1990 the Company acquired a controlling interest in its managers and secretaries, Glasgow Investment Managers Limited, together with its subsidiary undertaking, Drummond Fund Management Limited (see note 13 to the financial statements).

REVIEW OF THE BUSINESS
A review of the business is given in the Chairman's Statement and the Managers' Review.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors are shown on page 8. All held office throughout the year. A. J. R. Izat retires by rotation and, being eligible, offers himself for re-election.

There were no contracts subsisting during or at the end of the year in which any Director was materially interested.

DIRECTORS' INTERESTS IN SHARES

The Directors in office at 31 March 1991 who had interests in the capital of the Company were as follows:

	Beneficial Interest		Non-Beneficial Interest	
	31 March	1 April	31 March	1 April
Ordinary shares of 50p each	1991	1990	1991	1990
M. S. Hardie	1,000	1,000	—	—
C. St. G. S. Clarke	9,053	9,053	559,270	588,220
A. J. R. Izat	13,682	2,500	4,900	4,900
M. C. W. Wildy	3,000	3,000	—	—
3.5% cumulative preference shares of £1 each				
C. St. G. S. Clarke	6,520	6,520	16,452	16,452
11% Convertible Unsecured Loan Stock 2003/2004				
C. St. G. S. Clarke	6,780	6,780	80,330	80,330
Warrants to subscribe for ordinary shares				
C. St. G. S. Clarke	2,487	2,487	103,971	109,632

J. Stubbs had no interests in the capital of the Company at any time during the year.

Since the year end, C. St. G. S. Clarke has converted into ordinary shares of 50p all of his beneficial and non-beneficial interests in the 11% Convertible Unsecured Loan Stock. As a result his beneficial interest in the ordinary shares has increased by 3,390 to 12,443 shares and his non-beneficial interest in the ordinary shares has increased by 40,165 to 599,435 shares.

There have been no other changes in the Directors' interests between the year end and 14 May 1991.

SHARE CAPITAL

During the year, a total of 4,882,172 new ordinary shares were issued to holders of the 11% Convertible Unsecured Loan Stock 2003/2004 who exercised their conversion rights and to warrant holders who exercised their right to subscribe for ordinary shares. The total premium arising on the issue of these shares was £7,322,468.

Since the year end, on 1 April 1991, 1,863,221 ordinary shares have been issued on the conversion of £3,726,443 of the Convertible Unsecured Loan Stock.

MANAGEMENT AGREEMENT

Glasgow Investment Managers Limited (GIM), a subsidiary undertaking of the Company, provides management and secretarial services under a contract terminable not earlier than 31 March 1994 by one year's notice on either side. The fee paid is based on shareholders' funds plus long term indebtedness and the rate was increased from 0.385% per annum to 0.475% per annum with effect from 1 January 1991.

No VAT is payable by the Company on the management fee with effect from 28 December 1990 as the Company and GIM are now included in the same group for VAT purposes.

REPORT OF THE DIRECTORS

SUBSTANTIAL INTERESTS

At 14 May 1991 the Company had received notice of the following holdings in excess of 3% of the issued ordinary shares of the Company:

	Ordinary Shares	*% of Total*
Funds managed by Abbey Life Investment Services Limited	802,180	3.49
Funds managed by Gartmore Investment Management Limited	1,220,000	5.30
Funds managed by PosTel Investment Management Limited	1,450,000	6.30
Sun Life Assurance Society plc and its subsidiaries	1,439,862	6.26

AUDITORS

A resolution re-appointing KPMG Peat Marwick McLintock as auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

DETAILS OF RESOLUTIONS TO BE PROPOSED AS SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the last Annual General Meeting, shareholders gave Directors the authority under Section 80 of the Companies Act 1985 to allot shares in the Company. Although that authority does not expire until 1995, it is felt to be helpful to renew it each year for a five-year period, as permitted under the Companies Act. Accordingly, resolution 5 will be proposed as an ordinary resolution giving the Directors a general authority to allot shares in the Company in connection with the conversion of the Convertible Unsecured Loan Stock and the subscription of shares by warrant holders and, in addition, to the extent of one-third of the Company's issued ordinary share capital.

The power given to Directors at the last Annual General Meeting to allot shares for cash otherwise than in accordance with statutory pre-emption rights expires on the date of the forthcoming Annual General Meeting. Since in certain circumstances it may be in the best interests of the Company to issue shares for cash otherwise than pro rata to existing shareholders, the Directors consider that it is appropriate for this power to be renewed at the forthcoming Annual General Meeting. Resolution 6 will accordingly be proposed as a special resolution giving the Directors power to allot for cash equity securities in connection with a rights issue, the subscription of shares by warrant holders and in other cases up to an aggregate nominal value of £575,239, which is equivalent to 5% of the present issued ordinary share capital of the Company.

Resolution 7, which is proposed as a special resolution, provides for a number of changes to the Memorandum and Articles of Association.

The Company's power to provide guarantees is clarified by the proposed amendment to clause 4(13) to the Memorandum contained in paragraph (a) of the resolution.

The Companies Act 1989 specifically allows a company to pay premiums on insurance policies taken out by the Company to cover Directors against certain personal liabilities which they incur by reason of their directorships. The proposed changes to the Memorandum and Articles of Association contained in paragraphs (b), (c) and (d) of Resolution 7 would permit the Company to provide such insurance for the Directors.

The managers make use of traded options in managing the investment portfolio. The objects clause of the Memorandum does not, however, make specific mention of traded options among the types of investments the Company is authorised to acquire. While we are advised that investing in traded options is permitted, the Directors consider that it would be more appropriate to amend clause 4(2) of the Memorandum to include specific reference to options and futures. Paragraph (e) of the resolution proposes the necessary amendment.

REPORT OF THE DIRECTORS

Consideration is currently being given to using traded options as an income generation strategy, which would involve taking the premium received on writing certain types of traded options to revenue. In the meantime it is proposed that certain amendments should be made to the wording of Articles 120 and 131 which would permit traded option premiums to be credited to revenue while still preserving the distinction between capital and revenue which is essential to maintaining the Company's status as an investment trust. Paragraphs (f) and (g) of Resolution 7 propose the appropriate amendments.

Paragraph (h) proposes a widening of the category of reserves which the Directors may, with the authority of the shareholders, resolve to capitalise from time to time.

The opportunity is also being taken, while making amendments to the Memorandum and Articles of Association, to propose an amendment to Article 102 to clarify the authority of committees of the board of Directors to exercise all powers of the Directors delegated to them. This is contained in paragraph (i) of Resolution 7.

By Order of the Board

Glasgow Investment Managers Limited
Secretaries

21 May 1991

REPORT OF THE AUDITORS

KPMG Peat Marwick McLintock

To the members of Shires Investment p.l.c.

We have audited the financial statements on pages 14 to 26 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 1991 and of the revenue and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock.

KPMG Peat Marwick McLintock
Chartered Accountants
Glasgow

21 May 1991

CONSOLIDATED REVENUE ACCOUNT

for the year ended 31 March 1991

	Notes	1991 £000	1990 £000
INCOME			
Income from investments	2	6,332	6,340
Interest and other income	3	1,766	702
Gross Revenue		8,098	7,042
EXPENDITURE			
Interest	4	2,255	2,638
Administrative expenses	5	651	502
		2,906	3,140
REVENUE FROM ORDINARY ACTIVITIES BEFORE TAXATION		5,192	3,902
Taxation	7	1,168	895
REVENUE FOR THE FINANCIAL YEAR AFTER TAXATION		4,024	3,007
Minority interests		(1)	—
REVENUE ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	8	4,025	3,007
Dividends	9	3,766	2,716
TRANSFERRED TO REVENUE RESERVE	21	259	291
Earnings per ordinary share	10	19.03p	18.65p
Fully diluted earnings per ordinary share	10	17.71p	16.43p

BALANCE SHEETS

at 31 March 1991

	Notes	GROUP 1991 £000	GROUP 1990 £000	COMPANY 1991 £000	COMPANY 1990 £000
FIXED ASSETS					
Investments	11, 12				
Listed on stock exchanges					
United Kingdom		78,437	66,384	78,437	66,384
Overseas		279	1,725	279	1,725
Unlisted		2,925	2,831	2,925	2,831
		81,641	70,940	81,641	70,940
Subsidiary undertakings	13	—	—	634	—
Tangible assets	14	32	—	—	—
		81,673	70,940	82,275	70,940
CURRENT ASSETS					
Debtors	15	1,071	998	949	995
Cash at bank and on short term deposit		7,100	17,983	6,972	17,983
		8,171	18,981	7,921	18,978
CREDITORS					
Amounts falling due within one year	16	5,369	5,671	5,472	5,742
NET CURRENT ASSETS		2,802	13,310	2,449	13,236
TOTAL ASSETS LESS CURRENT LIABILITIES		84,475	84,250	84,724	84,176
CREDITORS					
Amounts falling due after more than one year	17	29,330	37,480	29,330	37,480
MINORITY INTERESTS		31	—	—	—
		55,114	46,770	55,394	46,696
CAPITAL AND RESERVES					
Called up share capital	18	10,623	8,182	10,623	8,182
Share premium account	19	8,065	799	8,065	799
Other capital reserves	20				
Realised capital reserve		39,183	42,699	39,469	42,689
Unrealised capital reserve		(5,246)	(7,140)	(5,246)	(7,140)
Revenue reserve	21	2,489	2,230	2,483	2,166
		55,114	46,770	55,394	46,696

M. S. Hardie, Chairman

A. J. R. Izat, Director

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31 March 1991

	1991 £000	1990 £000
MOVEMENTS OF FUNDS		
REVENUE		
Revenue before taxation	5,192	3,902
Adjustment for item not involving the movement of funds		
Depreciation	7	—
	5,199	3,902
Taxation paid	(987)	(935)
Dividends paid	(3,201)	(2,580)
	1,011	387
CAPITAL		
Proceeds of issue of Index-Linked Debenture Stock, less expenses	(5)	14,821
Exercise of warrants	8	508
Sales of investments	15,533	29,958
Purchases of investments	(25,872)	(32,320)
Purchase of subsidiary undertaking (note 13)	(634)	—
Purchase of tangible assets	(2)	—
Purchase of Convertible Unsecured Loan Stock for cancellation	—	(972)
Purchase of warrants for cancellation	—	(64)
CAPITAL ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS		
Exchange (losses)/gains	(2)	13
Unrealised (loss)/gain on traded options	(132)	65
	(11,106)	12,009
	(10,095)	12,396
(DECREASE)/INCREASE IN LIQUID FUNDS		
Increase/(decrease) in debtors	71	(1,854)
Decrease in investments held by dealing subsidiary undertakings	—	(17)
Decrease/(increase) in creditors	984	(911)
(Decrease)/increase in cash and short term deposits	(11,142)	15,210
Increase in bank overdrafts	(8)	(32)
	(10,095)	12,396

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements of the Company and of the Group are presented in accordance with the following principal accounting policies.

(a) *Accounting convention*

The financial statements are prepared under the historical cost convention as modified to include the revaluation of fixed asset investments, and in accordance with Section 227 of and Schedule 4A to the Companies Act 1985, and on the assumption that approval as an investment trust will continue to be granted.

(b) *Consolidation*

The group financial statements consolidate the results of the Company and its subsidiary undertakings under the acquisition method of accounting. The results of subsidiary undertakings are included from the effective date of acquisition.

The Company has availed itself of the relief from showing a profit and loss account for the parent company granted under section 230 of the Companies Act 1985.

(c) *Goodwill*

The surplus of the purchase consideration of the subsidiary undertakings over the fair value of the underlying assets and liabilities represents goodwill which is written off against realised capital reserve.

(d) *Investments*

Listed investments are valued at the market prices ruling on the balance sheet date.

Unlisted investments are shown at the Directors' valuation.

(e) *Gains and losses on investment transactions*

Company

Gains and losses arising on realisation of investments are taken to realised capital reserve. Unrealised appreciation or depreciation of investments held is taken to unrealised capital reserve.

Investment dealing subsidiary undertakings

Gains and losses arising on investment transactions are dealt with in the revenue account.

(f) *Tangible fixed assets and depreciation*

Depreciation is provided to write down the cost of equipment by equal annual instalments over four years. Leasehold property improvements are depreciated evenly over the period of the lease.

(g) *Income and expenditure*

Dividends, which include the appropriate tax credits, and interest receivable from investments are credited to revenue on the due payment dates. The effect of this is that reported income includes dividends and interest accrued on purchased investments up to the point of acquisition.

Other interest receivable and payable and expenses of management are dealt with on an accruals basis.

(h) *Taxation*

The charge for taxation is based on the revenue for the year and takes into account taxation deferred due to timing differences in the treatment of certain items for taxation and accounting purposes. Provision for deferred tax is made if there is reasonable evidence that such deferred taxation will become payable in the foreseeable future.

(i) *Foreign currency*

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Foreign income is translated at the rate ruling at the date of receipt.

Realised and unrealised differences on exchange or translation are taken to realised and unrealised capital reserves respectively.

(j) *5% Index-Linked Debenture Stock 2008/2010*

The index-linked adjustment to the redemption value of the 5% Index-Linked Debenture Stock is accrued annually and charged to realised capital reserve. The discount on issue is amortised annually to share premium account over the life of the Stock.

(k) *Pension costs*

The Company's subsidiary undertaking, Glasgow Investment Managers Limited, charges the cost of providing pensions evenly over the estimated remaining service lives of its employees. Differences between the amounts funded and amounts charged to revenue are treated as either provisions or prepayments in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME FROM INVESTMENTS

		1991 Franked £000	1991 Unfranked £000	1990 Franked £000	1990 Unfranked £000
Dividends					
Listed investments	— UK	4,586	—	3,564	—
	— Overseas	—	25	—	59
Unlisted investments	— UK	9	—	23	—
	— Overseas	—	—	—	10
Interest					
Listed investments	— UK	—	1,534	—	2,434
	— Overseas	—	106	—	241
Unlisted investments	— UK	—	51	—	9
	— Overseas	—	21	—	—
		4,595	1,737	3,587	2,753
		6,332		6,340	

3. INTEREST AND OTHER INCOME

	1991 £000	1990 £000
Interest receivable	1,682	654
Underwriting commission	30	35
Fund management revenue	55	—
Profits less losses of dealing subsidiary undertakings	(1)	13
	1,766	702

4. INTEREST

	1991 £000	1990 £000
Bank overdrafts repayable within five years	5	9
5% Index-Linked Debenture Stock 2008/2010	861	57
11% Convertible Unsecured Loan Stock 2003/2004	1,389	2,572
	2,255	2,638

5. ADMINISTRATIVE EXPENSES

	1991 £000	1990 £000
Management expenses (see note below)	592	465
Directors' remuneration — fees	30	24
— for executive duties	6	—
Auditors' remuneration	16	13
Depreciation	7	—
	651	502

Management expenses include those of Glasgow Investment Managers Limited for the period from 28 December 1990, when it became a subsidiary undertaking, to 31 March 1991.

6. EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

The Company had no direct employees. Glasgow Investment Managers Limited had 11 employees during the period from 28 December 1990, when it became a subsidiary undertaking, to 31 March 1991. Total group employee costs (including Directors of the Company) were:

	1991 £000	1990 £000
Wages and salaries	92	22
Social Security costs	8	2
Other pension costs	12	—
	112	24

Particulars of Directors' remuneration are as follows:

	1991 £000	1990 £000
Remuneration of Chairman and highest paid Director (including £3,500 (1990 — Nil) for executive duties)	11	6
Other Directors	Number of Directors	
£0 - £5,000	3	5
£5,001 - £10,000 (including £2,500 (1990 — Nil) for executive duties)	1	—

7. TAXATION

	1991 £000	1990 £000
Corporation Tax at 34% (1990 — 35%)	1	—
Overseas taxation	7	20
Tax on franked investment income	1,149	897
Tax relief for surplus management expenses	—	(5)
	1,157	912
Adjustments in respect of previous years	11	(17)
	1,168	895

In view of the amount of surplus franked investment income, no provision has been made for Advance Corporation Tax on the dividends payable and proposed.

8. REVENUE ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The revenue attributable to members of the parent company includes £4,083,000 (1990 — £3,077,000) which has been dealt with in the Company's financial statements.

9. DIVIDENDS

	1991 £000	1990 £000
Cumulative preference shares	2	2
Ordinary shares		
Interims paid 7.90p (1990 — 7.35p)	1,670	1,185
Interim payable 4.10p (1990 — 3.90p)	867	634
Proposed final 5.80p (1990 — 5.50p)	1,227	895
	3,766	2,716

NOTES TO THE FINANCIAL STATEMENTS

10. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on earnings of £4,023,000 (1990 — £3,006,000) and on 21,144,078 (1990 — 16,118,109) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The fully diluted earnings per ordinary share is based on adjusted earnings of £5,186,000 (1990 — £4,908,000) and on 29,278,624 (1990 — 29,278,624) ordinary shares allowing for the full exercise of outstanding warrants and conversion of the Loan Stock (see notes 17 and 18). The adjusted earnings allow for interest deemed to be earned from 2.5% Consolidated Stock on the proceeds of share issues arising from the exercise of warrants, the interest savings on conversion of the Loan Stock and tax at a rate of 34% (1990 — 35%).

11. INVESTMENTS

	GROUP AND COMPANY		
	Listed Investments £000	Unlisted Investments £000	Total £000
Valuation at 31 March 1990	68,109	2,831	70,940
Unrealised depreciation	4,818	2,392	7,210
Cost at 31 March 1990	72,927	5,223	78,150
Movements during the year			
Purchases	25,796	76	25,872
Sales, at original cost	(16,274)	(921)	(17,195)
Cost at 31 March 1991	82,449	4,378	86,827
Unrealised depreciation at 31 March 1991	(3,733)	(1,453)	(5,186)
Valuation at 31 March 1991	78,716	2,925	81,641

12. SIGNIFICANT HOLDINGS

At 31 March 1991 there were unlisted investments in more than 10% of the equity share capital of the following companies:

	Country of Incorporation	*Number and Class of Shares held*	*Percentage of Class held*
Dennis Ruabon Limited	England	163,548 ordinary	13.0%
Sierra Monitor Corporation	USA	1,549,134 shares of common stock	16.2%
Persort Limited (in Members' Voluntary Liquidation)	England	15,201,268 ordinary	23.5%

NOTES TO THE FINANCIAL STATEMENTS

13. SUBSIDIARY UNDERTAKINGS

	£000
Cost:	
At 1 April 1990	—
Additions	634
At 31 March 1991	634

In the opinion of the Directors, the value of the subsidiary undertakings is not less than cost.

The subsidiary undertakings of the Company, all of which operate in the United Kingdom, are as follows:

Company	*Country of Registration*	*Holding*	*Proportion attributable to Company*	*Nature of business*
Topshire Limited	England	Ordinary	100%	Investment dealing
Wiston Investment Company Limited	England	Ordinary	100%	Investment dealing
Glasgow Investment Managers Limited	Scotland	Ordinary Redeemable Preference	81% 100%	Investment management
*Drummond Fund Management Limited	England	Ordinary	80%	Unit trust management

*Indirectly held

Glasgow Investment Managers Limited and its subsidiary undertaking, Drummond Fund Management Limited, became subsidiary undertakings of the Company on 28 December 1990. The results of the Group include the results of these two companies from that date.

Net assets acquired:	£000
Tangible fixed assets	37
Debtors	149
Cash	259
Creditors falling due within one year	(75)
Minority interests	(32)
	338
Goodwill	296
Cash consideration	634

NOTES TO THE FINANCIAL STATEMENTS

14. TANGIBLE ASSETS

GROUP

Equipment and leasehold improvements	£000
Cost:	
Additions	39
At 31 March 1991	39
Aggregate depreciation:	
At 31 March 1991	7
Net Book Value:	
At 31 March 1991	32
At 31 March 1990	—

COMPANY

The Company has no tangible fixed assets (1990 — NIL).

15. DEBTORS

	GROUP		COMPANY	
	1991	1990	1991	1990
	£000	£000	£000	£000
Amounts falling due within one year:				
Investment sales	590	381	588	379
Taxation recoverable	74	221	60	220
Accrued income	349	378	287	378
Other debtors	58	18	14	18
	1,071	998	949	995

16. CREDITORS

	GROUP		COMPANY	
	1991	1990	**1991**	1990
	£000	£000	**£000**	£000
Amounts falling due within one year:				
Bank overdrafts	**40**	32	**8**	32
Investment purchases	**2,659**	3,646	**2,653**	3,646
Corporation Tax	**128**	94	**127**	72
Dividends payable and proposed	**2,094**	1,529	**2,094**	1,529
Due to subsidiary undertakings	**—**	—	**248**	94
Other creditors	**448**	370	**342**	369
	5,369	5,671	**5,472**	5,742

17. CREDITORS

Amounts falling due after more than one year:

	GROUP AND COMPANY	
	1991	1990
	£000	£000
11% Convertible Unsecured Loan Stock 2003/2004	**12,624**	22,380
5% Index-Linked Debenture Stock 2008/2010	**16,706**	15,100
	29,330	37,480

11% Convertible Unsecured Loan Stock 2003/2004
The 11% Convertible Unsecured Loan Stock may be converted into ordinary shares, on the basis of one ordinary share for every £2 nominal of Loan Stock, during March in any of the years from 1988 to 2003 inclusive. On 1 April 1990 £9,755,551 of the Loan Stock was converted into 4,877,775 ordinary shares. A further £3,726,443 of Loan Stock was converted into 1,863,221 ordinary shares on 1 April 1991.

5% Index-Linked Debenture Stock 2008/2010
The £16,000,000 5% Index-Linked Debenture Stock 2008/2010 is unlisted and is secured by a first floating charge over the whole of the assets of the Company and its dealing subsidiary undertakings, Topshire Limited and Wiston Investment Company Limited.
Interest is paid on 6 March and 6 September each year at an annual rate of 5% as adjusted by the change in the UK General Index of Retail Prices (RPI) over the period from July 1989 to the month eight months prior to the month in which interest is paid.
The capital amount to be repaid on 6 March in each of the years 2008 to 2010 will be one third of the nominal amount as adjusted by the change in the RPI over the period from July 1989 to the month eight months prior to the month in which repayment is made.
The discount on issue is amortised annually to share premium account over the life of the Stock. The index-linked adjustment to the redemption value is accrued annually and charged to capital reserve.

The amount outstanding at 31 March 1991 comprises:

	£000
Nominal amount	16,000
Discount on issue	(979)
Amortisation of discount	56
Index-linked adjustment charged to capital reserve	1,629
	16,706

The movement during the year was as follows:

	£000
Amount outstanding at 1 April 1990	15,100
Amortisation of discount (note 19)	52
Index-linked adjustment (note 20)	1,554
	16,706

NOTES TO THE FINANCIAL STATEMENTS

18. CALLED UP SHARE CAPITAL

	AUTHORISED		ALLOTTED, CALLED UP AND FULLY PAID			
	1991	1990	1991		1990	
	£000	£000	Number	£000	Number	£000
Ordinary shares of 50p each	19,900	19,900	21,146,331	10,573	16,264,159	8,132
3.5% (formerly 5%) cumulative preference shares of £1 each	100	100	50,000	50	50,000	50
	20,000	20,000		10,623		8,182

During the year, new ordinary shares were issued as follows:

	Number of shares
On conversion of £9,755,551 of Loan Stock	4,877,775
On exercise of 4,397 warrants	4,397
	4,882,172

As at 31 March 1991 there were 1,820,263 (1990 — 1,824,660) warrants outstanding, each warrant carrying the right to subscribe for one new ordinary share of 50p in the Company during the years 1985 to 1993 inclusive, at a price of 182p per share.

On 1 April 1991, 1,863,221 ordinary shares were issued on the conversion of £3,726,443 11% Convertible Unsecured Loan Stock 2003/2004.

19. SHARE PREMIUM ACCOUNT

	£000
At 31 March 1990	799
Premium arising on the conversion of Loan Stock	7,317
Premium arising on the exercise of warrants	6
Further expenses of issue of Debenture Stock in March 1990	(5)
Amortisation of discount on issue of Debenture Stock (note 17)	(52)
At 31 March 1991	8,065

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER CAPITAL RESERVES

Realised capital reserve	GROUP £000	COMPANY £000
At 31 March 1990	42,699	42,689
Net losses on realisation of investments during year	(1,662)	(1,662)
Goodwill written off on acquisition of subsidiary undertaking	(296)	—
Exchange loss realised during the year	(4)	(4)
Index-linked adjustment to redemption value of Debenture Stock (note 17)	(1,554)	(1,554)
At 31 March 1991	39,183	39,469

Unrealised capital reserve	GROUP AND COMPANY £000
At 31 March 1990	(7,140)
Movements during year:	
Fixed asset investments	2,024
Exchange gain	2
Unrealised traded option loss	(132)
At 31 March 1991	(5,246)

The capital reserves are not distributable.

21. REVENUE RESERVE

	GROUP £000	COMPANY £000
At 31 March 1990	2,230	2,166
Transfer from revenue account	259	317
At 31 March 1991	2,489	2,483

22. COMMITMENTS AND CONTINGENCIES

There are contingent liabilities of £1,282,000 (1990 — £980,000) in respect of uncalled capital on investments and £196,000 (1990 — £150,000) in respect of outstanding underwriting commitments.

The Company has provided a guarantee in respect of a subsidiary undertaking's obligations under a lease.

NOTES TO THE FINANCIAL STATEMENTS

23. PENSION SCHEME

The Company's subsidiary undertaking, Glasgow Investment Managers Limited ('GIM'), is in the course of setting up a new pension scheme which will be a defined benefit scheme providing benefits based on final pay and service at retirement. The scheme will be operated under trust and its assets will be held and invested independently of the Company.

Until 28 December 1990, when GIM became a subsidiary undertaking of the Company, GIM's employees were members of a defined benefit pension scheme operated by GIM's former holding company, EFT Group plc. In accordance with the Agreement between the Company and EFT Group for the acquisition of GIM, GIM continues to pay pension contributions to the EFT scheme at the rate of 21.5% of pensionable salaries as recommended in the actuary's valuation report as at 1 January 1989. A transfer payment is to be made from the EFT scheme to the new GIM scheme of the total value of the projected accrued benefit for each member, as agreed between independent actuaries for each scheme.

GIM's total pension charge for the period 28 December 1990 to 31 March 1991 was £11,944, of which £5,193 was outstanding at the year end and is included in creditors.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Directors on 21 May 1991.

TEN YEAR RECORD

INCOME

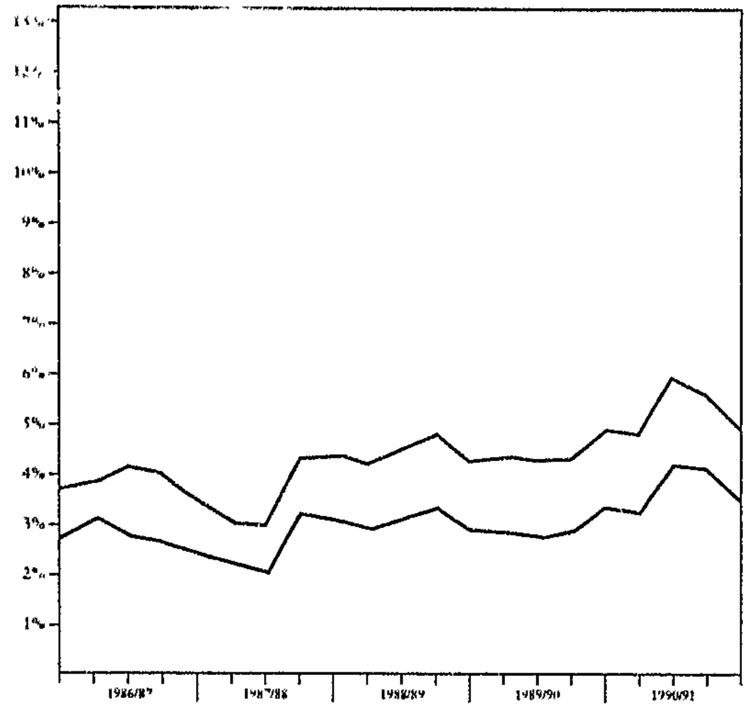
Year ended 31 March	Net revenue before tax £000	Earnings per ordinary share (pence) undiluted	Earnings per ordinary share (pence) fully diluted	Ordinary dividend (pence)	Dividend growth year on year
1982	390	10.95	10.55	11.80	—
1983	442	11.95	11.95	11.80	—
1984	479	12.01	11.35	11.80	—
1985	725	14.73	14.56	12.50	5.9%
1986	2,891	17.36	16.05	13.25	6.0%
1987	3,605	16.38	15.24	14.00	5.7%
1988	3,395	17.49	15.40	14.75	5.4%
1989	3,482	16.54	15.19	15.50	5.1%
1990	3,902	18.65	16.43	16.75	8.1%
1991	5,192	19.03	17.71	17.80	6.3%

CAPITAL

Year ended 31 March	Issued ordinary shares £000	Shareholders' funds £000	Net Asset Value (pence per ordinary share) undiluted	Net Asset Value (pence per ordinary share) fully diluted
1982	1,250	3,796	151.8	151.8
1983	1,250	3,905	156.2	156.2
1984	1,794	6,900	192.3	190.6
1985	1,794	7,530	209.9	203.9
1986	7,799	40,607	260.3	228.1
1987	7,810	46,155	295.5	248.5
1988	7,826	41,892	267.7	234.0
1989	7,913	47,505	300.2	251.7
1990	8,132	46,720	287.3	247.4
1991	10,573	55,064	260.4	242.5

Note:
Glasgow Investment Managers Limited were appointed as managers on 1 June 1987.

DIVIDEND YIELD



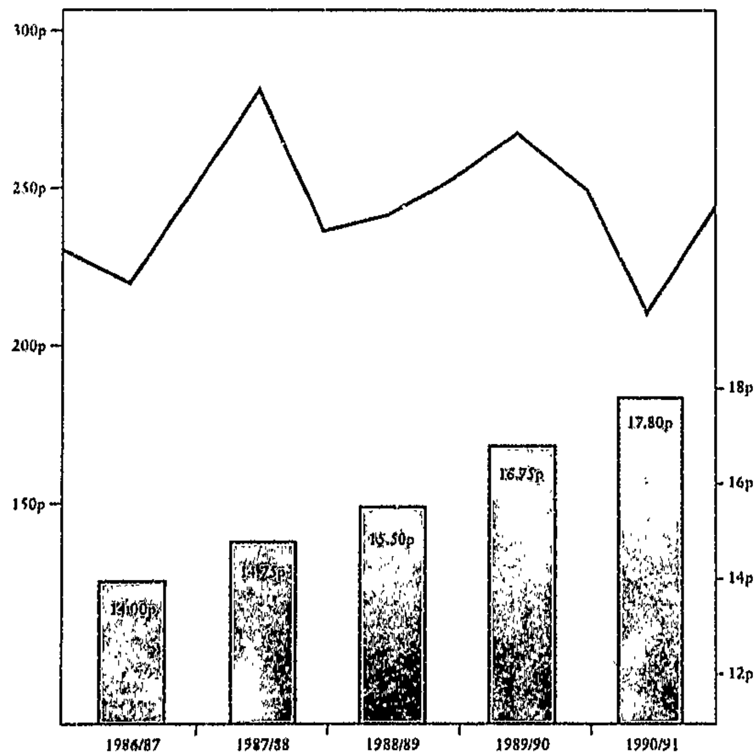
Shires Investment p.l.c.

FT Actuaries All Share Index

FT Investment Trust Index

Data supplied by County NatWest WoodMac

SHARE PRICE, NET ASSET VALUE AND DIVIDENDS



Price of Shires Investment p.l.c. ordinary shares (left hand scale)

Fully diluted net asset value per share (left hand scale)

Dividends per share (right hand scale)

FINANCIAL CALENDAR FOR 1991/92

1991

21 May	Annual results announced
23 May	Annual Report published
18 June	Annual General Meeting
31 July	Ordinary Shares final dividend 1990/91
30 September	3.5% Preference Shares half-year dividend
30 September	11% Convertible Unsecured Loan Stock half-year interest
1 October	Exercise date for Warrants
31 October	Ordinary Shares first interim dividend 1991/92
14 November	Interim results announced
18 November	Interim Report published

1992

31 January	Ordinary Shares second interim dividend 1991/92
31 March	3.5% Preference Shares half-year dividend
31 March	11% Convertible Unsecured Loan Stock half-year interest
1 April	Conversion date for 11% Convertible Unsecured Loan Stock
30 April	Ordinary Shares third interim dividend 1991/92
May	Annual results announced
May	Annual Report published
June	Annual General Meeting
31 July	Ordinary Shares final dividend 1991/92

GIM TRUSTPLAN

GIM Trustplan is an investment trust savings scheme which provides private investors with a simple and economical method of investing directly in Shires Investment p.l.c. and Glasgow Income Trust plc, the investment trusts managed by Glasgow Investment Managers Limited.

GIM Trustplan allows investors to save in the following ways:

- regular monthly contributions — minimum £20 per month
- occasional lump sum payments — minimum £200
- reinvestment of dividends and interest from the participating investment trusts.

THE GLASGOW PEP

The Glasgow PEP is a Personal Equity Plan which offers the opportunity to invest up to £3,000 in one or both of Shires Investment p.l.c. and Glasgow Income Trust plc or up to £6,000 in a combination of investment trusts and UK ordinary shares.

Investment in The Glasgow PEP can be made:

- by regular monthly payments — minimum £50 per month
- by lump sum payments — minimum £1,000.

Income is paid out quarterly or reinvested.

Further information on GIM Trustplan or The Glasgow PEP may be obtained from:

Glasgow Investment Managers Limited
29 St Vincent Place
Glasgow
G1 2DR

Telephone 041-226 4585

GLASGOW INVESTMENT MANAGERS LIMITED
(a member of IMRO)

The investment portfolio of Shires Investment p.l.c. is managed by Glasgow Investment Managers Limited, a subsidiary undertaking of the Company.

Glasgow Investment Managers also manages investment portfolios for:

- Glasgow Income Trust plc
- The Glen Portfolio
- Glasgow Integrated Pension Scheme Investments
- Tunbridge Wells Equitable Friendly Society

and for pension schemes and corporate and private clients.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixty-third Annual General Meeting of the Members of the Company will be held at Hambros Bank Limited, 41 Tower Hill, London, EC3N 4HA on Tuesday 18 June 1991 at 12 noon to transact the following business:

ORDINARY BUSINESS

1. To receive the Directors' Report and audited financial statements for the year ended 31 March 1991.
2. To declare a dividend.
3. To re-elect Mr A. J. R. Izat as a Director.
4. To re-appoint KPMG Peat Marwick McLintock as Auditors of the Company and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5. That with effect from the time of the passing of this resolution the Directors be unconditionally authorised, pursuant to Section 80 of the Companies Act 1985, to allot relevant securities (as defined in the Act)
   (i) up to a maximum of 4,448,808 ordinary shares in connection with the conversion of the 11% Convertible Unsecured Loan Stock 2003/2004;
   (ii) up to a maximum of 1,820,263 ordinary shares in connection with the warrants to subscribe for ordinary shares in the Company; and
   (iii) otherwise than under (i) and (ii) above, up to a maximum nominal amount of £3,834,925,

   to such persons and at such times and on such terms as they think proper during the period of five years from the date of the passing of this resolution and at any time thereafter pursuant to any offer or agreement made by the Company before the expiry of this authority so that all previous authorities of the Directors pursuant to the said Section 80 be and they are hereby revoked.

6. That subject to the passing of the previous resolution the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash in accordance with any authority conferred on them to allot relevant securities (as defined in Section 80 of the Act) as if subsection 89 (1) of the Act did not apply to any such allotment; and references in this resolution to the allotment of equity securities shall include references to the grant of a right to subscribe for, or to convert any securities into, relevant shares (as defined in Section 94 of the Act) provided that this power shall be limited
   (i) to the allotment of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body in any territory;
   (ii) to the allotment of ordinary shares in connection with the warrants to subscribe for ordinary shares in the Company; and
   (iii) to the allotment (other than pursuant to (i) and (ii) above) of equity securities up to an aggregate nominal value of £575,239,

   and shall expire, unless renewed, on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

7. That
   (a) the objects of the Company be altered by inserting in clause 4(13) of the Memorandum of Association after the words "to guarantee the performance of contracts" the words "of whatever nature";
   (b) the objects of the Company be altered by the insertion (after clause 4(27)) of the following new sub-clause in the Memorandum of Association (and that sub-clauses 4(28) and 4(29) be respectively re-numbered as 4(29) and 4(30)):

   "4(28) (i) To purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers, employees or auditors of the Company, or of any other company which is its holding company or which is in any way allied to or associated with the Company, or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which any employees of the Company or of any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund; and

NOTICE OF ANNUAL GENERAL MEETING

(ii) to such extent as may be permitted by law otherwise to indemnify or to exempt any such person against or from any such liability.

For the purpose of this sub-clause "holding company" and "subsidiary undertaking" shall have the same meanings as in the Companies Act 1989.";

(c) the following new paragraph be included in the Articles of Association as Article 80(B), existing Article 80 being re-designated as Article 80(A):

"(B) Without prejudice to the provisions of Article 150 the Directors shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers, employees or auditors of the Company, or of any other company which is its holding company or which is in any way allied to or associated with the Company, or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which employees of the Company or of any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund. For the purposes of this Article "holding company" and "subsidiary undertaking" shall have the same meanings as in the Companies Act 1989.";

(d) the following new paragraph be included in the Articles of Association at the end of Article 98(B) (and that the word "and" at the end of the existing paragraph (d) be moved to the end of paragraph (e) and be preceded by a semi-colon instead of a full stop):

"(f) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors of the Company or for persons who include Directors of the Company provided that for the purposes of this paragraph insurance shall mean only insurance against liability incurred by a Director in respect of any act or omission by him as referred to in Article 80(B) or any other insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including Directors of the Company."

(e) the objects of the Company be altered by inserting in clause 4(2) of the Memorandum of Association after the words "and to guarantee the subscription thereof," the words:

"and to invest in, enter into, acquire or sell any option, futures contract or contingent agreement in connection with any of the same,";

(f) Article 120 of the Articles of Association be deleted and the following new Article be substituted in lieu thereof:

"120 No dividend shall be payable except out of the profits of the Company or from the reserve fund referred to in Article 116. For this purpose, profits of the Company shall not include unrealised profits arising from the appreciation of capital assets or realised profits arising from the realisation of capital assets.";

(g) Article 131 of the Articles of Association be deleted and the following new Article be substituted in lieu thereof:

"131 The Directors shall establish a reserve to be called the capital reserve and shall either carry to the credit of such reserve from time to time all moneys realised on or derived or arising from the realisation of any capital assets of the Company in excess of the book value of the same or apply such moneys in providing for depreciation or contingencies. Any losses realised on the realisation of any capital assets together with any taxation relevant to capital transactions shall be debited to the capital reserve and shall not be debited to the profit and loss account. The Directors may also debit to the capital reserve any liability, charge or loss, and any provision for any liability, charge or loss which is either likely to be incurred or certain to be incurred but uncertain as to amount or as to the date on which it will arise, if in any such case it is in their opinion proper to treat the same as of a capital nature. The capital reserve shall not be available for dividends.";

(h) the following words be added at the end of paragraph (a) of Article 132 of the Articles of Association:

"or of any capital or other reserve whether realised or unrealised";

(i) the following sentence be added at the end of Article 102 of the Articles of Association:

"Insofar as any such power is so delegated any reference in these Articles to the exercise by the Directors of such power shall be read and construed as if it were a reference to such committee.".

BY ORDER OF THE BOARD

Glasgow Investment Managers Limited
Secretaries

23 May 1991

Notes

1. A member of the Company entitled to attend and vote may appoint a proxy to attend and on a poll vote in place of him. A proxy need not be a member of the Company. A form of proxy is enclosed which, if required, should be completed in accordance with the instructions thereon. Completion and return of the proxy will not preclude a member from attending and voting in person.
2. No director has a service contract with the Company or its subsidiaries.

Typeset and printed by Hay Nisbet Press Limited, Glasgow