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CAPITAL GEARING TRUST plc

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 5th APRIL, 2003

DEPARTMENT OF ENTERPRISE
TRADE AND INVESTMENT
18 AUG 2003
POST RECEIVED
COMPANIES REGISTRY



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Company Summary

Investment Objective	To achieve capital growth in absolute terms principally through investment in closed ended and other collective investment vehicles with a willingness to hold cash and bonds when appropriate.
Benchmark	FTSE Investment Companies Index.
Management Company	The company is self-managed, with investment management carried out by CG Asset Management Limited under an agreement dated 27 April 2001 terminable on 12 months notice.
Total Net Assets	£31.412m
Shareholders' Funds	£31.412m
Market Capitalisation	£33.097m at 5 April 2003
Capital Structure	The share capital comprises ordinary shares of 25 pence each. There are 2,545,906 shares in issue.
Voting Structure	Each ordinary share has one vote.
Continuation of the Trust	It is intended to offer shareholders the opportunity to realise their investment in the company, at a price that fairly reflects the underlying net asset value of their investment, in 2008.
Management fees	<p>The investment manager received an annual investment management fee of 0.7% of the gross assets of the company.</p> <p>Gerrard Limited received a portfolio administration fee of 0.1% of the company's portfolio under an agreement dated 29 November 2001.</p>
Administration	Company Secretarial and accounting services were provided by Gerrard Limited until 13 January 2003 at which point this service was transferred to Ernst & Young LLP on an agreed fee basis, terminable with immediate effect by either party under an agreement dated 13 January 2003.
ISA	The maximum amount that can be invested in 2003/2004 is £7,000.
Association of Investment Trust Companies	The company is a member of AITC.

Directors and Directory of Advisers

Directors	<p>MR Cornwall-Jones MA, ACIS (70), Chairman. Appointed a director in 1994. Mr Cornwall-Jones is chairman of the Ecclesiastical Insurance Group and a director of other companies.</p> <p>JC Morton DL, FCA (64) Appointed a director in 1998. Mr Morton is the chairman of the company's Audit Committee. Mr Morton was a partner in Price Waterhouse, subsequently PricewaterhouseCoopers (from which he retired in September 1998).</p> <p>TR Pattison FSI (52) Appointed a director in 1984. Mr Pattison is an executive director of Fieldings Investment Management Limited.</p> <p>RPA Spiller MA (Oxon), FSI (54) Appointed a director in 1986. Mr Spiller was a partner in Cazenove & Co until 30 April 2001. He is now a director and Chief Executive of CG Asset Management Limited and CG Portfolio Fund Limited.</p>
Secretary	<p>Chalfen Secretaries Limited 93a Rivington Street London EC2A 3AY</p>
Registered Office	<p>Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR</p>
Registrars	<p>Capita IRG PLC Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU</p>
Investment Management Services	<p>CG Asset Management Limited, London</p>
Portfolio Management Services	<p>Gerrard Limited, London</p>
Bankers	<p>Northern Bank Limited Donegall Square North Belfast BT1 6LT</p>
Auditors	<p>PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors Waterfront Plaza 8 Laganbank Road Belfast BT1 3LR</p>
Stockbrokers	<p>Cazenove & Co Limited 20 Moorgate London EC2R 6DA</p>
Registered Number	<p>NI 5574</p>

Chairman's Statement

Leading world equity markets experienced further savage falls during the year to 5 April 2003. The severity of the retreat can be evidenced by the fall in the FTSE All Share Index of 23.2% and of 33.1% in the FTSE Investment Companies Index. The reverse has been the case in bond markets with a rise in the FTSE All Stocks Gilt Index of 9.5%. It is pleasing to be able to report to shareholders that the Trust's NAV has increased by 2.1% to 1234p per share. This is an excellent relative performance but we should recognise that we have avoided significant loss rather than achieved much gain.

This performance has been the result of eschewing equity markets where 20% of our assets are deployed and focusing more on fixed interest holdings (31%), index linked stocks (17%) and concentrating on good quality zero coupon shares (32%). On this analysis the equity exposure is understated as we estimate that on a look-through basis the exposure is nearer 30%. Despite the alarming destruction of value amongst some split capital investment trusts and the damage inflicted on their shareholders – a risk to which I have consistently drawn attention over the last few years – there are still opportunities to be found in this area and of course amongst conventionally managed investment trusts. Our manager has successfully circumvented the rocks.

In the light of the present allocation of assets the Board has considered the accuracy of the Trust's stated investment objective – "to achieve capital growth principally through investment in closed ended vehicles". We have now adopted the following statement which more nearly reflects our present view – "to achieve capital growth in absolute terms principally through investment in closed ended and other collective investment vehicles with a willingness to hold cash and bonds when appropriate". In this context the choice of the Investment Trust Companies Index as the main comparator is not used as a reason to suspend the exercise of investment judgement.

One of the consequences of our higher exposure to fixed interest securities and other money instruments has been a sharp jump in revenue return per share to 21.1p compared to 11.3p last year. Indeed the capital return mentioned above does not do justice to the total return achieved. In the circumstances the Directors recommend a dividend for the year of 16p per share, payable on 31 July 2003 to those shareholders on the Register as at 11 July 2003, in part to maintain investment trust status. However, shareholders will appreciate that this level of distribution is unlikely to be sustainable as and when market conditions change and we decide to re-enter the equity market. It would be wise therefore to say that we regard a base dividend of 10p as the level from which we would hope to grow the dividend in the medium term and that 6p must be regarded as a "special".

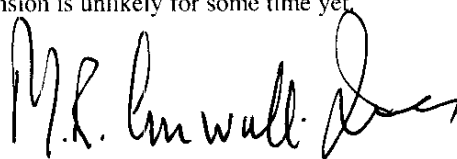
The present level of fee of 0.7% p.a. of the gross assets of the Trust paid to our investment manager came into effect on 5 April 1999. In the light of increased costs placed on the financial services industry, the charges levied by comparable trusts, and the satisfactory performance achieved, the Directors have reviewed the position and have approved an increase in these fees to 0.85% p.a. with effect from 5 April 2003. We consider the fee level to be justified and still fully competitive and so report to shareholders.

During the year we reviewed our agreement with Gerrard Management Services for the provision of secretarial services and their changing priorities. In the event we decided to move this service to Ernst & Young LLP in January 2003. This new relationship has started well and is a vital part of the control and efficient management of the Trust.

In the last two years we have sought shareholder authority to issue shares on a non-pre-emptive basis, when there is demand, at a premium to net asset value. In total we have issued 280,000 shares over this period. The Board now recommends to shareholders that authority be given at the AGM to issue up to 10% of the present share capital in the coming year, should the occasion arise. In reaching this view we have considered the size of the market on which we focus, and the attraction of spreading costs over a larger fund on the one hand; and the potential dilution in the ownership, commitment and loyalty of existing shareholders, which we so value, on the other. We have already indicated to shareholders our readiness to buy in shares should the supply and demand ratio change, and have indeed demonstrated such a commitment – provided this is at a discount to net asset value. Accordingly, we again also seek power to buy-in stock in the terms set out in the resolution in the Notice of Meeting.

I come last to the most difficult part of my statement to shareholders – a comment on prospects. It will be apparent from his report that our investment manager remains very cautious of equity markets and provides good arguments for this stance. His view has been right and commands respect. It is the duty of the Board to challenge regularly these arguments, particularly when the attraction of fixed interest stocks may be changing in the light of deteriorating government finances and confidence in the direction of the economy. We remain cautious as a Board but the fear of further loss is becoming more evenly balanced by the hope of future gain. A clear resolution of this tension is unlikely for some time yet.

Mark Cornwall-Jones
2 June 2003



Investment Manager's Report and Portfolio Analysis

In the year to 5 April 2003, the Net Asset Value per share rose by 2.1%. This compares to falls in the FTSE All Share Index of 23.2% and in the Investment Companies Index of 33.1%. As these figures suggest, the year was difficult for equity investors as the aftermath of the stock market and investment bubble played out. However, other bubbles continued, notably in house prices in the USA and the UK, and this helped to sustain consumer expenditure at levels that deferred the recession that usually prevails after such excesses. Allied to the aggressive easing of monetary policy- by the end of the period short-term real rates of interest were negative in the USA and less than 1% in the UK – this prevented the stock markets from falling far enough for them to offer fair value.

The Trust's asset allocation was therefore defensive throughout the year. We do not attempt to play the technical rallies in equities. The holdings in bonds showed excellent returns in local and in sterling terms, outperforming the bond indices because of their long duration, both in index linked and conventional government obligations.

In the split capital market, two of our zero preference holdings, Henderson Eurotrust and JOS Holdings were repaid in full at the anticipated level. Because of publicity given to justified concern over this part of the market, a number of opportunities were thrown up by distressed sellers and much of our equity investment was in this area. New or increased holdings included the zero dividend preference shares in Legg Mason International Utilities, New Fulcrum, Premier High Income and Martin Currie Income and Growth. All have proved satisfactory so far. The best return was in American Trust Zero, which by the year-end had more than doubled its purchase price.

Outlook

Although equity markets have fallen markedly in the last year, they still represent poor value. That is particularly true of the USA, where accommodative monetary policy has sustained levels for the S & P 500 that remain well above our estimate of fair value even if the economic prospects had been sound. In fact, the imbalances in the American economy, to which we referred last year, have, if anything, deteriorated. Balance sheets for both companies and individuals are in aggregate exceptionally weak. The current account deficit now exceeds 5% of GDP and as a result the dollar is under pressure.

Unfortunately, that dollar weakness is exporting deflationary pressures to Europe and the UK. The latter already faces quite severe problems as the rise in house prices comes to an end; a reversion to more normal levels of saving looks likely soon, leading to a very modest growth, if any, in retail sales. The only significant source of growth will be government expenditure, hardly a sustainable position.

With estimates of world growth continuing to fall, central banks can be expected to cut short term interest rates even further. In the USA, the lax monetary policy and explicit threat of printing money should lead to a steep yield curve. That is a threat to all bond markets. However, we do not believe that the European Central Bank is a printing bank and expect good returns from government bonds there. Index-linked government bonds continue to look attractive on real yields of close to 3% outside the UK.

As last year, we hope to produce a modest but satisfactory absolute return for the Trust.

RPA Spiller
2 June 2003



Investment Manager's Report and Portfolio Analysis (continued)

Distribution of invested funds – percentage of assets

	UK	North America	Europe	Asia	Elsewhere	2003 Total	2002 Total
Investment Trust assets:							
Ordinary shares	12.9	1.7	0.9	0.5	1.0	17.0	24.5
Capital shares	2.8	–	–	–	–	2.8	10.2
Zero dividend preference shares	32.7	–	–	–	–	32.7	34.5
Other assets:							
Fixed interest	1.3	–	29.4	–	–	30.7	14.2
Index linked	–	8.1	8.6	–	–	16.7	12.3
Cash	0.1	–	–	–	–	0.1	4.3
	<u>49.8</u>	<u>9.8</u>	<u>38.9</u>	<u>0.5</u>	<u>1.0</u>	<u>100.0</u>	<u>100.0</u>

Major investments of the company

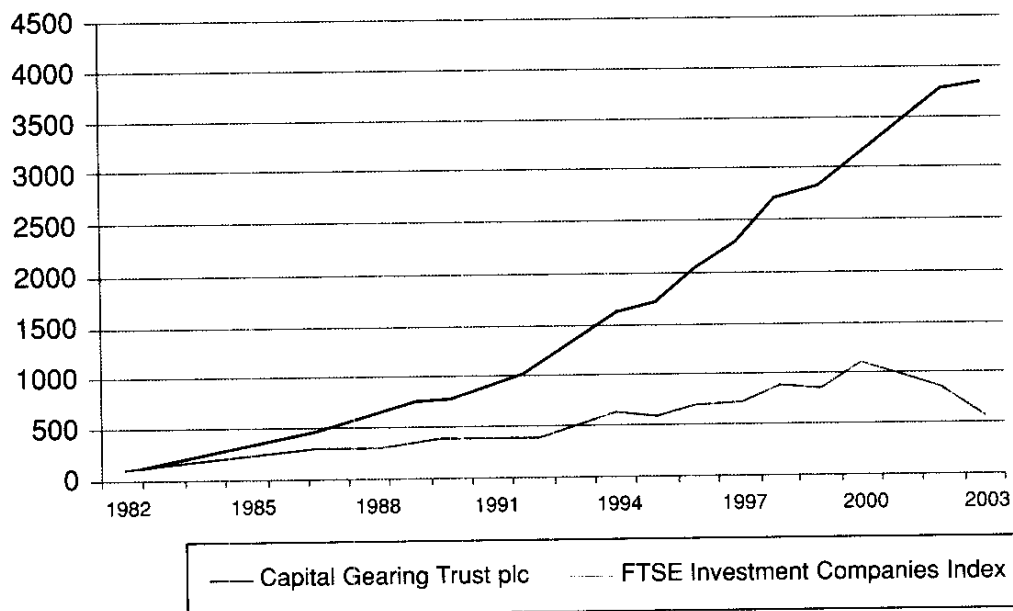
	2003 £'000	2002 £'000
Investment Trust Ordinary Shares:		
Wigmore Property Investment Trust	926	–
Martin Currie Portfolio	772	800
Electra Investment Trust	653	–
American Opportunities	475	594
London St Lawrence Investment Trust	539	558
Investment Trust Capital Shares:		
Martin Currie Capital Realisation	881	–
Aberforth Split Level Trust	–	1,732
Index-linked Securities and Fixed Interest		
Sweden (Kingdom of) 3.5% Inflation Linked Bonds 1/12/2028	2,624	1,689
Germany (Federal Republic) 4.75% Bonds 4/7/2028	2,340	1,367
France (Govt of) 5.5% OAT 25/4/2029	2,222	–
France (Govt of) 3.4% OATi 25/4/2029	1,609	1,193
France (Govt of) 3.0% OATi 25/7/2012	1,538	1,190
USA Treasury NTS 3.625% Inflation Indexed 15/04/2028	1,425	1,225
France (Govt of) 5.75% OAT 25/10/2032	1,156	–
Germany (Federal Republic) 5.625% Bonds 4/1/2028	1,024	840
France (Govt of) 3% OAT 25/7/2029	–	608
Investment Trust Zero Dividend Preference		
Jupiter Split Investment Trust – Zero Dividend	2,223	1,207
Aberdeen Development Capital – Zero Dividend	1,577	–
Leggmason Investment International Utilities Investment Trust – Zero Dividend	1,576	864
Leggmason Investment International European Utilities Investment Trust – Zero Dividend	900	858
Invesco Geared Opportunities Trust – Zero Dividend	713	–
Edinburgh Value – Zero Dividend	641	–
J P Morgan Fleming Income – Zero Dividend	–	1,490
Henderson Eurotrust – Zero Dividend	–	1,152
JOS Holdings – Zero Dividend	–	1,128
Schroder Split – Zero Dividend	–	561

Investment Manager's Report and Portfolio Analysis *(continued)*

Historical record of the capital growth of the company in the 10 years to 2003

5 April	Net assets £'000	NAV 25p shares p	Appreciation on previous year %	FTSE Investment Companies Index Note	Change on previous year of FTSE Investment Companies Index %
1994	11,658	522.5	18	2,790.1	26
1995	12,241	548.7	5	2,631.9	(6)
1996	14,756	661.4	21	3,176.7	21
1997	16,634	745.6	13	3,212.6	1
1998	19,522	875.1	17	3,948.9	23
1999	21,231	910.8	4	3,848.7	(3)
2000	23,284	998.9	10	5,041.1	31
2001	24,951	1101.1	10	4,504.4	(11)
2002	28,041	1208.2	10	3,947.4	(12)
2003	31,412	1233.8	2	2,640.5	(33)

Rebasing each of the net asset value of the Trust and the FTSE Investment Companies Index to 100 in 1982, the subsequent performance of the Trust net asset value and the FTSE Investment Companies Index compare as follows:



Report of the Directors

The Directors present their Report and the Audited Financial Statements of the Company for the year ended 5 April 2003.

STATUS AND ACTIVITIES

The Company operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988, which requires it to seek Inland Revenue approval of its status as an investment trust every year. This approval will continue to be sought annually by virtue of the submission of a Self Assessment Tax Return as an approved investment trust. Under Corporation Tax Self Assessment the Inland Revenue is no longer obliged to give written approval. Instead, the Inland Revenue has twenty four months from the end of the accounting period in which to give notice that it intends to enquire into a tax return, but if no such notice is given then approval may be assumed to have been obtained. The directors are of the opinion that the Company has conducted its affairs in a manner which will enable it to continue to gain such approval.

A review of the year's activities and an indication of future policy is given in the Chairman's Statement and Investment Manager's Report.

SHARE CAPITAL

The Company issued 225,000 ordinary shares of 25p each during the year (9.7% of its issued equity) for £2,725,650 to satisfy market demand (note 11).

NET ASSET VALUE

At 5 April 2003 the net assets per 25p Ordinary Share of the Company amounted to 1233.8p, as compared with a figure of 1208.2p for 2002.

RESULTS AND DIVIDEND

The revenue return for the financial year was £ 512,000 (2002 - £259,000).

The directors recommend the payment of a dividend of 16p per Ordinary Share for the year ended 5 April 2003 (2002 - 9p) for approval by the shareholders at the forthcoming Annual General Meeting. The dividend will be payable on 31 July 2003 to shareholders on the Register of Members on 11 July 2003, the associated ex-dividend date being 9 July 2003. After provision for this dividend the retained revenue return of £105,000 will be transferred to the revenue reserve.

GOING CONCERN

After making enquiries, the directors consider that the Company has adequate resources, an appropriate financial structure and suitable arrangements in place to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No contributions were made during the year for political or charitable purposes (2002 - Nil)

DIRECTORS AND THEIR INTERESTS

The directors in office at 5 April 2003 have been directors throughout the year and their interests in the shares of the Company at 5 April 2003, which were all held beneficially, were:

Ordinary shares of 25p each in Capital Gearing Trust plc

	5/4/03	5/4/02
M R Cornwall-Jones	6,000	6,000
TR Pattison	2,430	2,430
RPA Spiller	287,690	287,690
JC Morton	3,000	2,000

There have been no changes in the directors' interests in the shares of the Company during the period 6 April 2003 to 2 June 2003.

Report of the Directors *(continued)*

Contracts

The Company's investments are managed by CG Asset Management Limited under an agreement dated 27 April 2001, which is terminable on 12 months notice. RPA Spiller, a director of the Company, is Chief Executive of CG Asset Management Limited. There were no other contracts existing either during the year or at the end of the year in which any of the directors are or were materially interested.

Retiring directors

J C Morton retires by rotation and, being eligible, will be proposed for re-election.

CORPORATE GOVERNANCE

The directors are committed to a system of sound corporate governance and have given full consideration to the Principles of Good Governance and Code of Best Practice issued by the London Stock Exchange in June 1998. The following paragraphs demonstrate how the Principles of the Combined Code have been applied. Details of provisions of the Code which were not complied with during the year are also provided.

The board has established procedures necessary to implement the requirements of the Combined Code relating to internal control as reflected in the September 1999 guidance "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance). There is a continuous process for identifying, calculating and managing significant risks faced by the Company which has been in place for the year under review and up to the date of approval of the annual report and financial statements. This process includes written agreements with service providers and is regularly reviewed by the board, including a review of internal controls by the audit committee.

Directors

The board of directors comprises four non-executive directors, the majority of whom are independent of the Company's investment manager. The Company has no executive directors nor any employees. All matters are reserved for the approval of the board. The board has engaged external firms to undertake the investment management, secretarial, accounting, registration and custodial activities of the Company. Clearly documented contractual arrangements are in place between the Company and these firms which set out the areas where the board has delegated authority to them. The board meets quarterly to review the overall business of the Company and to consider the matters specifically reserved for it to decide on. Detailed information is provided by the manager and secretary for these meetings which enable the directors to monitor the investment performance of the Company compared with its benchmark. The directors review the Company's activity over the quarter to ensure it adheres to its investment policy or, if it is considered appropriate, to authorise any change in policy.

Mr JC Morton is the senior independent director. As the board is small there is no formal Nomination Committee and appointments of new directors are considered by the board as a whole. Directors are subject to re-election by shareholders at the intervals specified in the Company's Articles of Association and the directors consider that this meets the requirement of the Combined Code that directors are appointed for specific periods and that their re-appointment should not be automatic.

Directors' remuneration

The Companies (Northern Ireland) Order 1986 does not require the presentation of a Directors' Remuneration Report, however the equivalent disclosures are set out in this section of the Corporate Governance Statement.

The board as a whole fulfils the function of a remuneration committee and the UKLA Listing Rules recognise that the specific appointment of such a body is not necessary for an investment trust company with non-executive directors. The level of directors' fees is reviewed annually relative to the work involved as well as the fees of the directors of comparable companies.

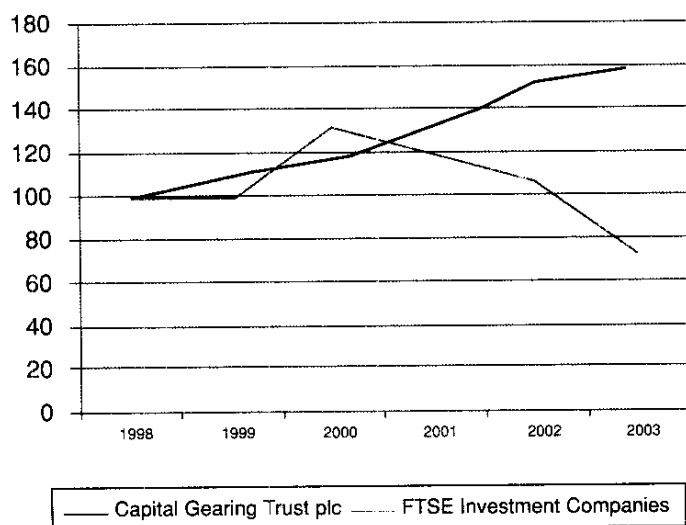
Directors' remuneration comprises solely of directors' fees, details of which are shown in note 5 to the financial statements. No director has a contract of service with the Company.

The Articles of Association of the Company limit the fees payable to the Board of Directors to a total limit of £40,000 per annum, divided among the directors in such proportions and in such manner as the board may determine.

Report of the Directors (continued)

The Company does not operate any type of incentive or pension scheme and therefore no directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not paid compensation for loss of office. Each director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as director, including any expenses incurred in attending meetings of the board or any committee of the board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company.

As required by the companies legislation in Great Britain, a comparison of the Company's share price total return over the past five years, compared with the Investment Companies total return Index, which reflects the performance of similar companies, is shown below:



A graph showing the Company's net asset value compared with its benchmark, the FTSE Investment Companies Index, since 1982 is shown on page 7.

Relations with shareholders

Shareholders have the opportunity to attend and vote at the Annual General Meeting during which the directors are available to discuss key issues affecting the Company.

Accountability and audit

(i) Internal control

The directors acknowledge that they are responsible for ensuring that the Company's activities are subject to a system of internal control. Whilst acknowledging this responsibility they also recognise that the existence of a system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

In common with the majority of investment trusts, they have decided that the most effective way to run the Company is for the directors to determine investment strategy and for the day to day administration, detailed investment decisions and custodial functions to be delegated to organisations which are specialists in these areas and which can provide, because of their size and specialisation, economies of scale, segregation of duties and all that is required to provide proper systems of internal control, within a regulated environment. For this reason and because the Company itself has no employees, it does not have an internal audit function. The Board has reviewed the effectiveness of the system of internal control and is satisfied with the position. The system of internal control was in place throughout the year and up to the date of approval of this report.

Report of the Directors (continued)

(ii) Audit committee

The Company has a separate Audit Committee consisting of Mr JC Morton (Chairman) and Mr MR Cornwall-Jones. The composition of the Audit Committee reflects the requirements of the Combined Code as well as the guidelines issued by the Association of Investment Trust Companies except that there are only two members. The Committee meets with the auditors to consider any matters arising from the accounts or the audit.

Compliance with the provisions of the Combined Code

Subject to the special circumstances of the Company as an investment trust and the exceptions explained in the foregoing paragraphs, the Company has complied with the provisions of the Combined Code during the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, 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 accounts;
- prepare the accounts 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 accounts comply with the Companies (Northern Ireland) Order 1986. 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.

CREDITOR PAYMENT POLICY

Whilst following no formal code, it is the Company's policy to settle all its investment transactions within the time frames operating in the markets in which it operates, generally within one week of the transaction. Other expenses are paid on a timely basis in the normal course of business.

SUBSTANTIAL SHAREHOLDERS

On 2 June 2003, the following major interests in the ordinary issued shares of 25p each in the Company had been notified to the Company in accordance with articles 206 to 216 of the Companies (Northern Ireland) Order 1986:

	Ordinary shares held	Percentage %
Cazenove Fund Management Limited	358,303	14.1
RPA Spiller	287,690	11.3
AXA S.A	262,801	10.3

Report of the Directors *(continued)*

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 10 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors to fill the casual vacancy. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company, special notice having been given pursuant to Articles 387 and 396 of the Companies (Northern Ireland) Order 1986, will be proposed at the annual general meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 30th July 2003 at Waterfront Plaza, 8 Laganbank Road, Belfast. At this meeting the Company will seek to renew its powers to buy back up to 381,631 (14.99%) of the issued share capital and to issue up to 10% of the issued share capital on a non pre-emptive basis. Whilst recognising Institutional Investor Guidelines recommend non pre-emptive issues be not more than 5% of issued share capital, the Board recommends a maximum of 10% since the Board feels this will give added flexibility, and will be more cost effective. The powers granted during 2002 will expire at this Annual General Meeting (the fortieth AGM). If approved, they will in turn expire at the 2004 Annual General Meeting unless previously varied or renewed, and will only be exercised if there is an enhancement to the net asset value per share.

Full details of the business to be transacted at the meeting are set out in the Notice of the Annual General Meeting on page 27.

By Order of the Board


Chalfen Secretaries Limited
Secretary

Waterfront Plaza
8 Laganbank Road
BELFAST
BT1 3LR

2 June 2003

Independent Auditors' Report to the Members of Capital Gearing Trust plc

We have audited the financial statements, which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Northern Ireland 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 and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 (Northern Ireland) Order 1986. 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 regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement and the investment managers' report and portfolio analysis.

We review whether the corporate governance statement 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 to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

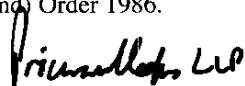
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 5 April 2003 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
2 June 2003

Statement of Total Return (incorporating the Revenue Account)
for the year ended 5 April 2003

	Notes	Revenue £'000	Capital £'000	2003 Total £'000	Revenue £'000	Capital £'000	2002 Total £'000
Gains on investments	8	–	674	674		2,559	2,559
Income	2	765	–	765	500		500
GROSS RETURN		<u>765</u>	<u>674</u>	<u>1,439</u>	<u>500</u>	<u>2,559</u>	<u>3,059</u>
Investment management fees	3	(48)	(190)	(238)	(43)	(165)	(208)
Other expenses	4	(148)	–	(148)	(185)		(185)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>569</u>	<u>484</u>	<u>1,053</u>	<u>272</u>	<u>2,394</u>	<u>2,666</u>
Tax on ordinary activities	6	(57)	57	–	(13)	13	
RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS	14	<u>512</u>	<u>541</u>	<u>1,053</u>	<u>259</u>	<u>2,407</u>	<u>2,666</u>
Dividends on ordinary shares:							
Dividend payable 16p per ordinary share (2002 – 9p)	14	(407)	–	(407)	(209)		(209)
TRANSFER TO RESERVES	12	<u>105</u>	<u>541</u>	<u>646</u>	<u>50</u>	<u>2,407</u>	<u>2,457</u>
RETURN PER ORDINARY SHARE	7	<u>21.14p</u>	<u>22.34p</u>	<u>43.48p</u>	<u>11.30p</u>	<u>104.97p</u>	<u>116.27p</u>

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

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

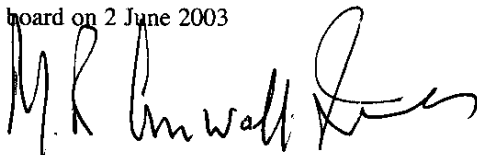
The notes on pages 17 to 26 form an integral part of these financial statements.

Balance Sheet

5 April 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Investments:			
Listed investments	8	31,454	26,793
CURRENT ASSETS			
Debtors	9	397	1,455
Cash at bank		99	159
		496	1,614
CREDITORS: amounts falling due within one year	10	538	366
NET CURRENT (LIABILITIES)/ ASSETS		(42)	1,248
NET ASSETS		31,412	28,041
CAPITAL AND RESERVES			
Called up share capital	11	636	580
Share premium account	12	4,279	1,610
Capital redemption reserve	12	16	16
Capital reserve – unrealised	12	2,295	3,087
Capital reserve – realised	12	23,857	22,524
Revenue reserve	12	329	224
TOTAL SHAREHOLDERS' FUNDS – EQUITY	14	31,412	28,041
NET ASSET VALUE PER ORDINARY SHARE	13	1233.8p	1208.2p

Approved by the board on 2 June 2003



Director: M R Cornwall-Jones (Chairman)

The notes on pages 17 to 26 form an integral part of these financial statements.

Cash Flow Statement

for the year ended 5 April 2003

	<i>Notes</i>	2003 £'000	2002 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	230	14
TAXATION			
Income tax recovered		37	–
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire investments		(13,230)	(13,518)
Receipts from sale of investments		9,243	14,239
		(3,987)	721
EQUITY DIVIDENDS PAID		(209)	(181)
MANAGEMENT OF LIQUID RESOURCES			
Cash paid to brokers awaiting investment		1,143	(1,199)
FINANCING			
Issue of new shares	11	2,726	632
(DECREASE) IN CASH	17	(60)	(13)

The notes on pages 17 to 26 form an integral part of these financial statements.

Notes to the Financial Statements

5 April 2003

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investments. The financial statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

(b) Valuation of investments

Listed investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the board's estimate of its net realisable value.

Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised, and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve – unrealised as explained in Note 1(g) below.

Year end exchange rates are used to translate the value of investments which are denominated in foreign currencies.

(c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the company's right to receive payment is established.

Fixed returns on non-equity shares, other than zero dividend preference shares in other investment companies, are recognised on a time apportionment basis so as to reflect the effective yield on the shares. Other returns on non-equity shares are recognised when the right to the return is established.

The return on zero dividend preference shares is recognised as a capital return in accordance with the Statement of Recommended Practice.

Other income is accounted for on an accruals basis.

(d) Expenses

All expenses are accounted for on an accruals basis and are inclusive of value added tax. Expenses are charged through the revenue account except as follows:

- Expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- Expenses are charged to capital reserve – realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fees have been allocated 80% to capital reserve-realised and 20% to revenue, in line with the Board's expected long term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the company.

(e) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements *(continued)*

5 April 2003

The tax effect of the allocation of expenditure between capital and revenue is reflected in the financial statements using the company's effective rate of tax for the year.

(f) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

(g) Capital reserves

• **Capital reserve – realised**

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature;
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

• **Capital reserve – unrealised**

The following are accounted for in this reserve:

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

Notes to the Financial Statements *(continued)*

5 April 2003

2 INCOME		2003	2002
		£'000	£'000
Income from investments:			
Income from UK bonds		27	27
Income from UK equity and non-equity investments		271	198
Overseas interest		443	242
		<u>741</u>	<u>467</u>
Deposit interest		24	33
		<u>765</u>	<u>500</u>
Total income		<u><u>765</u></u>	<u><u>500</u></u>
		2003	2002
		£'000	£'000
Total income comprises:			
Dividends		271	198
Interest		494	302
		<u>765</u>	<u>500</u>
		<u><u>765</u></u>	<u><u>500</u></u>
Income from investments comprises:			
Listed in the UK		298	225
Listed overseas		443	242
		<u>741</u>	<u>467</u>
		<u><u>741</u></u>	<u><u>467</u></u>

3 INVESTMENT MANAGEMENT FEE

	Revenue	Capital	2003	Revenue	Capital	2002
	£'000	£'000	Total	£'000	£'000	Total
			£'000			£'000
Investment management fee	48	190	238	43	165	208
	<u>48</u>	<u>190</u>	<u>238</u>	<u>43</u>	<u>165</u>	<u>208</u>
Total	<u><u>48</u></u>	<u><u>190</u></u>	<u><u>238</u></u>	<u><u>43</u></u>	<u><u>165</u></u>	<u><u>208</u></u>

The company's investment manager CG Asset Management Limited received an annual management fee equal to 0.7% of the gross assets of the company. At 5 April 2003 £65,090 was payable. All costs are inclusive of irrecoverable VAT.

80% of the total investment management fee and connected costs are allocated to the capital reserve – realised.

Investment transactions are effected through Gerrard Limited. The total of commissions earned by Gerrard Limited was £5,154.

Notes to the Financial Statements *(continued)*

5 April 2003

4 OTHER EXPENSES

REVENUE	2003 £'000	2002 £'000
Administrative expenses:		
Gerrard Limited	33	31
Gerrard Management Services Limited	13	52
Auditors' remuneration:		
Audit services	12	11
Non-audit services	20	21
Directors' remuneration (note 5)	27	27
General expenses	43	43
	<u>148</u>	<u>185</u>

The above expenses include irrecoverable VAT where appropriate.

5 DIRECTORS' FEES

	2003 Total £'000	2002 Total £'000
The fees of the directors were as follows:		
MR Cornwall-Jones	10	10
TR Pattison	5	5
RPA Spiller	5	5
JC Morton	7	7
	<u>27</u>	<u>27</u>

Messrs Spiller and Pattison's fees are paid directly to their respective employers and VAT is an additional cost thereon. The company made no pension contributions (2002 – £nil) in respect of directors and no pension benefits are accruing to any director (2002 – £nil).

Details of transactions with CG Asset Management Limited, of which RPA Spiller is a director and a shareholder, are disclosed in note 3.

There were no other transactions with directors during the year.

Notes to the Financial Statements *(continued)*

5 April 2003

6 TAX ON ORDINARY ACTIVITIES

	Revenue 2003 £'000	Capital 2003 £'000	Total 2003 £'000	Revenue 2002 £'000	Capital 2002 £'000	Total 2002 £'000
Tax attributable to management expenses charged to revenue	(57)	57	–	(13)	13	–
	<u>(57)</u>	<u>57</u>	<u>–</u>	<u>(13)</u>	<u>13</u>	<u>–</u>

The current tax charge is reconciled to the standard rate of Corporation Tax by the following factors:

	Revenue £'000	Capital £'000	2003 Total £'000	Revenue £'000	Capital £'000	2002 Total £'000
Return on ordinary activities before taxation	569	484	1,053	272	2,394	2,666
Return on ordinary activities at the standard rate of UK Corporation tax of 30% (2002: 30%)	171	145	316	82	718	800
UK franked dividends*	(81)	–	(81)	(59)	–	(59)
Capital returns*	–	(202)	(202)	–	(768)	(768)
Sundry adjustments	(33)	–	(33)	(10)	10	–
Management expenses not utilised in the year	–	–	–	–	27	27
Current tax charge for the year	<u>57</u>	<u>(57)</u>	<u>–</u>	<u>13</u>	<u>(13)</u>	<u>–</u>

* these items are not subject to Corporation Tax within an investment trust company.

7 RETURN PER ORDINARY SHARE

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £512,000 (2002 – £259,000) and on 2,421,522 (2002 – 2,293,029) ordinary shares, being the weighted average number of ordinary shares in issue in each year.

Capital return per ordinary share is based on the net capital return for the financial year of £ 541,000 (2002 – £2,407,000) and on 2,421,522 (2002 – 2,293,029) ordinary shares, being the weighted average of the number of ordinary shares in issue in each year.

Notes to the Financial Statements *(continued)*

5 April 2003

8 LISTED INVESTMENTS	2003	2002
	£'000	£'000
Investments comprise -		
Listed investment companies:		
Incorporated in the United Kingdom	15,846	14,920
Incorporated overseas	1,291	3,556
Overseas government bonds	14,276	8,284
Miscellaneous ordinary shares (unlisted)	41	33
	<u>31,454</u>	<u>26,793</u>
Cost of investments held at 6 April 2002	23,706	21,186
Unrealised appreciation at 6 April 2002	3,087	3,794
Market value of investments held at 6 April 2002	26,793	24,980
Additions at cost	13,230	13,518
Disposals proceeds	(9,243)	(14,264)
Disposals – realised (losses)/gains	(171)	3,266
Increase/(decrease) in unrealised appreciation	845	(707)
Market value of investments held at 5 April 2003	<u>31,454</u>	<u>26,793</u>
Book cost at 5 April 2003	29,159	23,706
Unrealised appreciation at 5 April 2003	2,295	3,087
	<u>31,454</u>	<u>26,793</u>
Disposals – realised (losses)/gains	(171)	3,266
Increase/(decrease) in unrealised appreciation	845	(707)
Gains on investments	<u>674</u>	<u>2,559</u>
The geographical spread of investments is shown on page 6.		
9 DEBTORS: amounts falling due within one year	2003	2002
	£'000	£'000
Amounts due from brokers, on deposit	55	1,199
Prepayments and accrued income	342	215
Corporation Tax recoverable	–	37
Other debtors	–	4
	<u>397</u>	<u>1,455</u>
10 CREDITORS: amounts falling due within one year	2003	2002
	£'000	£'000
Accruals and deferred income	131	157
Proposed dividend	407	209
	<u>538</u>	<u>366</u>

Notes to the Financial Statements *(continued)*

5 April 2003

11 CALLED UP SHARE CAPITAL

	2003	2002
	£'000	£'000
Authorised		
4,000,000 Ordinary shares of 25p each	1,000	1,000
	<u> </u>	<u> </u>
Allotted and fully paid		
At the beginning of the year – 2,320,906 shares (2002 – 2,265,906)	580	566
Issue of ordinary shares – 225,000 shares (2002 – 55,000)	56	14
	<u> </u>	<u> </u>
At the end of the year – 2,545,906 (2002 – 2,320,906)	636	580
	<u> </u>	<u> </u>

During the year the Company issued 225,000 ordinary shares of 25p each to satisfy market demand:

- On 17 July 2002, the Company issued 35,000 shares (1.49 % of its issued equity) for £417,550
- On 4 October 2002, the Company issued 70,000 shares (2.88 % of its issued equity) for £830,900
- On 5 December 2002, the Company issued 120,000 shares (4.71 % of its issued equity) for £1,477,200

12 RESERVES

	Share premium reserve	Capital redemption reserve	Capital reserve – unrealised	Capital reserve – realised	Revenue reserve
	£'000	£'000	£'000	£'000	£'000
Balance at 6 April 2002	1,610	16	3,087	22,524	224
Net (losses) on realisation of investments	–	–	–	(171)	–
Net increase in unrealised appreciation	–	–	845	–	–
Transfer on disposal of investments	–	–	(1,637)	1,637	–
New ordinary shares issued (note 11)	2,669	–	–	–	–
Costs charged to capital	–	–	–	(190)	–
Tax on costs charged to capital	–	–	–	57	–
Retained net revenue for the year	–	–	–	–	105
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 5 April 2003	4,279	16	2,295	23,857	329
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Financial Statements *(continued)*

5 April 2003

13 NET ASSET VALUE PER ORDINARY SHARE

The net asset value per share at the year end, calculated in accordance with the Articles of Association were as follows:

	2003	2002
Net asset value per share attributable	1233.8p	1208.2p
Net asset values attributable	£'000	£'000
Ordinary shares	31,412	28,041

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

	Assets attributable to ordinary shares (basic) £'000
Total net assets attributable at 6 April 2002	28,041
Total recognised gains for year	1,053
Issue of shares in the year	2,725
Dividends appropriated in the year	(407)
Total net assets attributable at 5 April 2003	31,412

Net asset value per ordinary share is based on the net assets, as shown above, and on 2,545,906 (2002 – 2,320,906) ordinary shares, being the number of ordinary shares in issue at the year end.

There was no dilution of net asset value during the year resulting from the issue of ordinary share capital.

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£'000	£'000
Opening equity shareholders' funds	28,041	24,951
Total recognised gains and losses	1,053	2,666
Dividends	(407)	(209)
Issue of shares in the year	2,725	633
Closing equity shareholders' funds	31,412	28,041

15 RECONCILIATION OF NET REVENUE BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£'000	£'000
Net revenue before finance costs and taxation	569	272
Investment management fee and other expenses charged to capital	(190)	(165)
Increase in accrued income	(127)	(48)
Decrease in creditors	(26)	(41)
Decrease/(increase) in debtors	4	(4)
NET CASH INFLOW FROM OPERATING ACTIVITIES	230	14

16 ANALYSIS OF NET FUNDS

	2003	2002
	£'000	£'000
Cash at bank	99	159

Notes to the Financial Statements (continued)

5 April 2003

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £'000	2002 £'000
Net funds at beginning of year	159	172
(Decrease) in cash for the year	(60)	(13)
Net funds at end of year	<u>99</u>	<u>159</u>

18 FINANCIAL INSTRUMENTS

The company's financial instruments comprise:

- Investment Trust Ordinary Shares, Investment Trust Capital Shares, Investment Trust Zero Dividend Preference shares, and fixed and index linked securities that are held in accordance with the company's investment objective;
- Cash and liquid resources that arise directly from the company's operations.

The main risks arising from the company's financial instruments are market price risk, interest rate risk, credit risk and currency risk. The board regularly reviews and agrees policies for managing each of these risks and they are summarised below.

The company has taken advantage of the exemption allowed under FRS 13, "Derivatives and other Financial Instruments", and excluded short-term debtors and creditors from these disclosures.

Market price risks

Market price risk arises mainly from uncertainty about the future prices of financial instruments held. It represents the potential loss the company might suffer through holding market positions in the face of price movements.

The company invests in the shares of other investment companies. These companies may use borrowings or other means to gear their balance sheets which may result in returns that are more volatile than the markets in which they invest, and the market value of investment company shares may not reflect their underlying assets.

To mitigate these risks the board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined financial, market and sector analysis, with the emphasis on long term investments. An appropriate spread of investments is held in the portfolio in order to reduce both the systemic risk and the risk arising from factors specific to a country or sector. The investment manager actively monitors market prices throughout the year and reports to the board, which meets regularly in order to consider investment strategy. A list of the main investments held by the company is shown in the "Investment Portfolio" table on page 6. All investments are stated at market value, which in the directors' opinion is equal to fair value.

Interest rate risk

Bond and preference share yields, and as a consequence their prices, are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the Government's fiscal position, short-term interest rates and international market comparisons. The investment manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Returns from bond and preference shares are fixed at the time of purchase, as the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond the market price at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred. The interest rate profile of the company's assets at 5 April 2003 is as follows:

Notes to the Financial Statements (continued)

5 April 2003

18 FINANCIAL INSTRUMENTS (continued)

	Total (as per balance sheet £'000)	Floating rate £'000	Fixed rate – index linked £'000	Other fixed rate £'000	Financial assets/ (liabilities) on which no interest is paid £'000	Weighted average interest rate %	Weighted average period for which rate is fixed (years)
Assets							
Investment Trusts	16,804	-	-	-	16,804		
UK bonds	333	-	-	333	-	6.4	22.7
Overseas government bonds	14,276	-	4,911	9,365	-	4.4	25.4
Other equities	41	-	-	-	41		
Cash at bank	99	99	-	-	-		
Debtors	397	-	-	-	397		
Liabilities							
Creditors	(538)	-	-	-	(538)		
Total net assets	31,412	99	4,911	9,698	16,704		

The interest rate profile of the company's assets at 5 April 2002 was as follows:

Assets							
Investment Trusts	18,145	-	-	-	18,145		
UK bonds	331	-	-	331	-	6.4	23.9
Overseas government bonds	8,284	-	3,609	4,675	-	4.1	24.1
Other equities	33	-	-	-	33		
Cash at bank	159	159	-	-	-		
Debtors	1,455	-	-	-	1,455		
Liabilities							
Creditors	(366)	-	-	-	(366)		
Total net assets	28,041	159	3,609	5,006	19,267		

Credit risk

In addition to the interest rate risk, the company's investment in bonds is also exposed to credit risk which reflects the ability of a borrower to meet its obligations. Generally, the higher the quality of the issue, the lower the interest rate at which the issuer can borrow money. Issuers of a lower quality will tend to have to pay more to borrow money to compensate the lender for the extra risk taken. The investment manager assesses the risk associated with these investments by prior financial analysis of the issuing companies as part of his normal scrutiny of prospective investments.

Foreign currency risk

The company's investments in foreign currency securities are subject to the risk of currency fluctuations. The investment manager monitors current and forward exchange rate movement in order to mitigate this risk. The company's investments denominated in foreign currencies are:-

	2003 £'000	2002 £'000
Canadian Dollar	1,023	-
Euro	9,627	8,412
US Dollar	1,800	1,937
Swedish Krona	2,624	1,669
	15,074	12,018

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting will be held at Waterfront Plaza, 8 Laganbank Road, Belfast on 30th July 2003 at noon for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Directors' Report and Statement of Accounts for the year ended 5 April 2003.
2. To appoint auditors, special notice having been given pursuant to articles 387 and 396 of the Companies (Northern Ireland) Order 1986 of the intention to propose the following resolution:-
"That PricewaterhouseCoopers LLP be appointed as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members".
3. To declare a final dividend for the year ended 5 April 2003.
4. To re-elect J C Morton as a director of the company.

SPECIAL BUSINESS

5. That the Directors be generally and unconditionally authorised for the purposes of Article 90 of the Companies (Northern Ireland) Order 1986 to allot relevant securities (as defined by that Article), up to a maximum of the amount of the unissued share capital of the Company at the date of this Resolution, being a nominal amount of £363,523.50 representing 1,454,094 ordinary shares of 25p each, such authority to expire at the 2004 Annual General Meeting.
6. THAT the directors be and they are hereby empowered, pursuant to Article 105 of the Companies (Northern Ireland) Order 1986 ('the Order') to allot equity securities (as defined in Article 104(2) of the Order) pursuant to the authority previously given under Article 90 of the Order, as if Article 99 (1) of the Order did not apply to any such allotment, provided that:
 - (a) this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £63,647; and
 - (b) this power shall expire at the conclusion of the Annual General Meeting of the company to be held in 2004, unless previously renewed, varied or revoked by the company in general meeting, except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers of agreements.
7. THAT the company be and is hereby authorised in accordance with Article 176 of the Order to make market purchases (within the meaning of Article 173 of the Order) of Ordinary Shares, provided that:
 - (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 381,631;
 - (b) the minimum price which may be paid for an Ordinary Share shall be 25p per share;
 - (c) the maximum price which may be paid for an Ordinary Share shall be not more than 5 per cent above the average of the market values of an Ordinary Share on the Official List of the London Stock Exchange for the 5 business days before the purchase is made;
 - (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the company to be held in 2004 unless such authority is renewed, prior to such time save that prior to such expiry the company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the expiration of such authority.

By Order of the Board


Chalfen Secretaries Limited
SECRETARY

Waterfront Plaza
8 Laganbank Road
BELFAST BT1 3LR

18 June 2003

Notes

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the company.
- 2 A form of proxy is enclosed with this notice. Completion and return of such form of proxy will not prevent a member from attending the Meeting and voting in person if he so wishes.
- 3 To be effective, the form of proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with the company's registrars, at Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the holding of the Meeting or any adjournment thereof.
- 4 To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, Crest Messages must be received by the issuer's agent (ID number RO33) not later than 12.00 noon on Monday 28 July 2003 (48 hours before the AGM). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 5 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the Register of Members of the Company as at 12.00 noon on Monday 28 July 2003, shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant Register of Securities after 12.00 noon on Monday 28 July 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

There are no Contracts of Service in relation to the Directors' employment by the company.

Shareholder Information

Registrar Contact

Shareholder Services Department
Capita IRG Plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone 0870 162 3100
Facsimile: (020) 8639 2342
E-mail: ssd@capita-irg.com
Website: www.capita-irg.com

Sources of further information

Financial Times
AITC – monthly

Financial calendar

Annual General Meeting	30 July
Dividend payment date	31 July
Annual Results	June
Interim report	Early November

How to invest

via your Stockbroker/dealer, the shares are quoted on
The London Stock Exchange

Frequency of NAV publication

Monthly

Capital Gains Tax

As at 31 March 1982 the adjusted value for Capital Gains Tax purposes of the 25p ordinary shares was 21.25p