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The  
*Taverners*  
Trust PLC

Capital growth through investment in the  
breweries, pubs and restaurant sector



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# Financial Calendar

<b>23 June 2000</b>	Announcement of results for the year ended 30 April 2000
<b>20 September 2000</b>	Annual General Meeting
<b>22 September 2000</b>	Payment of dividend for the year ended 30 April 2000
<b>December 2000</b>	Announcement of interim results for six months ending 31 October 2000



The  
*Taverners*  
Trust PLC

## Corporate Summary

### **Investment Objective**

The Company aims to achieve above average capital growth, mainly through investment in the equity of companies in the Breweries, Pubs & Restaurants sector. Emphasis is placed on smaller brewers and pub companies, though the Company may, in addition, invest in other companies engaged in the production, distribution or retailing of drinks. At the time of the launch of the Company it was envisaged that the majority of investments would be listed on the London Stock Exchange, with up to 25 per cent quoted on AIM or unquoted. However, shareholders' attention is drawn to the adjustment in the policy on investment in AIM stocks reported in the Chairman's Statement on page 4.

### **Risk**

The main risks arising from the Company's financial instruments are market price risk, interest rate risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks.

### **Duration**

The Company has an initial life of 15 years. In April 2011, and every fifth year thereafter, the Directors will be required, unless they have been previously released from their obligation to do so by an ordinary resolution passed at the Annual General Meeting held in the preceding year, to convene an Extraordinary General Meeting of the Company at which an ordinary resolution will be proposed to wind up the Company.

### **Capital Structure**

The Company's share capital consists of Ordinary 25p shares and Warrants to subscribe to Ordinary shares at 100p per share.

### **PEP and ISA Status**

The Company intends to manage its affairs so as to be a fully qualifying investment trust for inclusion in a general PEP and also so that the Company's shares will be qualifying investments for the stocks and shares component in an ISA.

### **Summary Management Agreement**

The Manager has agreed to provide management services to the Company for a fee of 0.1 per cent per month (plus VAT) of the Company's net asset value (excluding agreed loans) calculated and payable monthly in arrears. At 30 April 2000 the Management Agreement was terminable on not less than 24 months' notice. However, with effect from 21 June 2000 the notice period on the Management Agreement has been reduced to 12 months.

# Corporate Information

## **Directors**

Lionel J Ross, Chairman  
Christopher D Fishwick  
Martin J Gilbert (alternate Director)  
Hubert V Reid  
Neil R Scourse  
H William Whitbread

## **Manager**

Aberdeen Asset Managers Limited  
One Bow Churchyard, Cheapside  
London EC4M 9HH

## **Secretaries & Registered Office**

Aberdeen Asset Management PLC  
One Bow Churchyard, Cheapside  
London EC4M 9HH

Registered Number: 3173591

## **Registrars**

Lloyds TSB Registrars Scotland  
117 Dundas Street  
Edinburgh EH3 5ED  
Shareholder Helpline: 0870 601 5366  
(calls charged at National Call Rate)

## **Stockbrokers**

Old Mutual Securities Limited  
30 Lombard Street  
London EC3V 9EN

## **Auditors**

Ernst & Young  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## **Bankers**

Bank of Scotland  
53 Castle Street  
Aberdeen AB11 5AG

Robert Fleming & Co. Limited  
25 Cophall Avenue  
London EC2R 7DR

## **Custodian Bankers**

Lloyds TSB Securities Services  
1 Legg Street  
Chelmsford  
Essex CM1 1JS

## **Solicitors**

Lawrence Graham  
190 Strand  
London WC2R 1JN

## Board Members

### Chairman

**Lionel Jack Ross\***, aged 71, was formerly finance director of Whitbread PLC and a non-executive director of Whitbread Investment Company PLC and Isosceles PLC. He is currently a non-executive director of Ambient PLC and Carpetright PLC.

### Directors

**Christopher David Fishwick**, aged 38, is a director of the Manager. He joined Aberdeen Asset Management PLC in 1991 and was appointed to its Board in October 1995. He is responsible for smaller companies investment and the management of specialist funds. He is a director of several investment trusts.

**Martin James Gilbert**, aged 44, is an alternate Director for Mr H W Whitbread. He qualified as a chartered accountant in 1982 and thereafter pursued a career in investment management. He was one of the founding directors and is now chief executive and investment director of Aberdeen Asset Management PLC. He is a director of a number of investment trusts, FirstGroup PLC and Lombard International Assurance SA.

**Hubert Valentine Reid\***, aged 59, was for ten years managing director of The Boddington Group PLC, becoming chairman in June 1995 until its acquisition by The Greenalls Group PLC. He is currently chairman of Enterprise Inns PLC and The Royal London Mutual Insurance Society Limited and deputy chairman of Majedie Investments PLC and Bryant Group PLC.

**Neil Richard Scourse\***, aged 61, has been in the securities industry since 1968, specialising in the brewery and distillery sectors, initially with Fielding Newson-Smith & Co.. He moved to De Zoete & Bevan in 1985, and retired as a director of BZW Securities in 1993.

**Hugh William Whitbread**, aged 58, was investment manager of The Whitbread Investment Company PLC from 1989 until 1994, when it was absorbed by Whitbread PLC; from 1992 he was also a director of the company. Prior to this, he was, from 1981 until 1988, the specialist director of Whitbread PLC responsible for sales to the national on-chains and the rest of the brewing industry. He is currently a non-executive director of Hanover International PLC and Smiles Holdings PLC. He is retained by Aberdeen Asset Managers Limited as a consultant.

\*Member of the Audit Committee and the Management Engagement Committee.  
All of the Directors are non-executive.

## Manager

Aberdeen Asset Managers Limited is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC whose Group Companies manage a combined £20.8 billion for institutions, unit trusts, investment trusts, closed end investment funds, private clients and offshore funds.

## Chairman's Statement

Following the good progress we were able to report at the half year it is disappointing to have to acknowledge that the fully diluted Net Asset Value of Taverners Trust shares fell back during the second half of the year from 124.9p to 106.3p while the benchmark FTSE Actuaries Restaurants and Pubs index recovered by 4.3%. However, over the full year the benchmark index declined by 17.8% while the Trust's NAV proved more resilient, falling by 5.8% from 112.8p to 106.3p. It can be seen from these figures that our benchmark index has been volatile during the past year. On the other hand in contrast to their behaviour during the late summer and autumn of 1998 the prices of the smaller companies in which your Trust invests have experienced less movement, tending instead to follow the gentle decline which has been the lot of many shares in the medium size and smaller end of the market apart from the technology stocks since the autumn.

Two factors in particular caused industry share prices to move lower during the autumn. First, like-for-like sales failed to achieve a positive level as had been expected against the supposedly soft comparatives of the previous year. Secondly, J D Wetherspoon subjected the industry to a discounting campaign which some other companies felt constrained to copy. This caused a concern in the market that margins and profits would be damaged, a fear that in the case of Wolverhampton and Dudley Breweries appears to have proved justified.

Another reason for the depressed rating of the sector has been the uncertainty created by the announcement from the Office of Fair Trading on 14 January that it proposed to review the 1989 Beer Orders. In fact we believe, along with most of the analyst community, that this review is likely to be relatively benign although a view exists that it may recommend measures to ensure greater transparency over discounts which would cause difficulty for brewers. The OFT announcement damaged the price of Enterprise Inns, one of our largest holdings, on account of the fear that the tenanted pubcos, which are not regulated by the Beer Orders and therefore do not have to comply with the guest beer rule, might be referred to the Competition Commission; however, the OFT have insisted that all matters connected with the Beer Tie have already been dealt with by the Enquiry into Brewers' Wholesale Prices that took place in 1995 and gave the industry a clean bill of health. It is also important to remember that at least 60% of the Trust's holdings are most unlikely to be affected by any OFT ruling because they are either Restaurant or Leisure Companies or Managed Pubcos. The OFT have indicated that they wish to complete their review expeditiously by the end

of August and sentiment should improve when this uncertainty is removed.

More recently we have seen proposals by two of the major brewers to sell their brewing businesses and there is a possibility that in due course this development may cause some turbulence to pubco margins. It is however ironic that the outcome of all the negative regulatory interference that the industry has suffered at the hands of such as Lord Young and Mrs Beckett is likely to deliver large swathes of the British brewing industry into foreign ownership.

The Trust has made many of its most successful investment decisions in Alternative Investment Market ("AIM") stocks such as Chorion. When the Trust was launched in 1996 a cap of 25% was placed on investment in stocks that were not listed on the London Stock Exchange. Since 1996 AIM has developed considerably and it is fair to say that we have found the 25% cap a constraint. We believe that the performance of the Trust could be improved if this cap were eased. We therefore draw shareholders' attention to the fact that we will in future cease to differentiate for investment purposes between main market and AIM stocks but will instead restrict investment on OFEX and in unquoted stocks to a maximum of 10% of the portfolio value.

At the half-year I wrote that we were seeing a number of well-managed businesses whose share prices we expected would move significantly higher, and that there were "grounds for expecting an improvement in the Trust's NAV". Although this has not yet come to pass, we remain convinced that we are well positioned in the right stocks for the moment when the market realises the value in our sub-sectors, a re-rating which surely must come eventually. Recently there have been one or two signs that the sector may be about to advance e.g. the improvement in the share prices of Greene King and in particular Belhaven Brewery which earlier this month produced an excellent set of finals. Although as yet there has been no significant recovery, so far in the results season, in spite of one or two downgrades, trading statements have had the effect of moving share prices ahead rather than the reverse; the indications therefore are that we are witnessing the early stages of a recovery in the sector's rating.

Finally, it gives us great pleasure to take advantage of the improvement in our revenue account to recommend an increase in our dividend of 33% from 0.3p to 0.4p per Ordinary share.

23 June 2000

**L J Ross**  
Chairman

## Manager's Review

The Brewery sector has been in a state of turmoil during the past year since the Office of Fair Trading's reference to the Competition Commission on 14 July 1999 of Whitbread's recommended offer for the Allied Domecq estate, an event which resulted in the withdrawal of the bid. Consolidation continued to take effect in the depressed regional sub-sector as the Wolverhampton acquisition of Marston Thompson was followed first by Greene King's takeover of Morland and then by Wolves' own purchase of the Mansfield Brewery. During the autumn share prices of large companies became volatile as retail and institutional investors entered the market to buy internet, telecom and media stocks, and the market was further destabilised by the Vodaphone acquisition of Mannesmann which required many funds to adjust their investment holdings to take account of the increase in Vodaphone's market capitalisation. Fortunately, the smaller companies in which your Trust invests were operating in a calmer environment than their larger competitors as in general their shares were held by smaller companies funds which did not have the same need to alter their portfolios. However, after the OFT announcement of their intention to review the 1989 Beer Orders in January 2000 the larger brewers were prime candidates to be sold off for cash to invest in the new economy. As a result the Trust went through a short period of considerable outperformance against the benchmark index in the early months of this year. Against this background we took the opportunity to add to our holdings in the regionals, especially Greene King, while they remained dull as we believe their share prices will follow the majors which have advanced from the low point they reached at the beginning of February.

Another important event which affected stock prices at the end of the period was the publication in April of the licensing white paper. It contains a proposal to transfer the regulation of licensing to the local authorities upon whom will be placed no statutory constraint with regard to hours. The market has as a result focused on the future for night-clubs about which it has become a little apprehensive. In these

circumstances, it is interesting that our two strongest performers over the period, Chorion and Po Na Na, are successful late night operators. The proposed merger between the two largest quoted companies Luminar and Northern Leisure did not immediately result in improved ratings; however, we believe that these larger clubs will continue to prosper and that this deal will add value for both sets of shareholders. On the other hand, it is likely that some of the smaller clubs may find the going harder if the new proposals are enacted as they will be in more direct competition with pubs. There is a view that the late-night market may become more oriented towards bars to which dancing will be ancillary.

We should recall that the local authorities, faced with vacant premises in their town centres as a result of the departure of the banks and department stores after the recession of the early nineties, were instrumental in allowing high street drinking circuits to be created. The grant of more influence in this matter to the local authorities is therefore likely to result in late night activity being further concentrated in town centres where it can be more easily policed and where there are fewer residents. This must be beneficial for the concept retailer stocks such as Yates and SFI, whose shares are held by the Trust and whose units are strategically sited on high street circuits. Community pubs in residential areas are less likely to be able to obtain late licences and it may prove expensive for traditional pubs to comply with the licensing requirements for late night operations. However it does now seem that in spite of optimism generated at the time of the White Paper's publication, no parliamentary time will be available for the new licensing legislation until after the General Election.

Following the announcement of Interbrew's recommended offer for the Bass brewery interests as well as the Whitbread breweries it is likely that the Office of Fair Trading's Review may become rather more exhaustive. In addition, two other issues are impacting ratings. The first is the influence of the new Financial Reporting Standard No.15 the adoption of

## Manager's Review

which has caused many companies to depreciate freeholds and long leaseholds. Some of the pubcos such as SFI Group have recorded quite large provisions; as these are non-cash adjustments they should not make any material difference to share prices but our view is that in some cases these adjustments have made a negative impression partly because it has often been difficult to determine true comparatives. On the other hand, in the case of some of the regional brewers where the accounting is notably conservative, the required amount of extra depreciation has been less material; Fuller Smith and Turner who have always regarded leases for any period of less than a hundred years as short, recorded only £300,000 for this item and a company trading mainly off short leases which are already being depreciated may be substantially unaffected. In some cases this new standard will result in over conservative reporting of profit as this extra depreciation is in many cases offset by improvements in value. A second problem experienced by the pub industry has been the damage to profits brought about by the Minimum Wage and especially the Working Time Directive which has turned out to be greater than the market had been led to believe. There is also now a degree of concern about the extent to which the rating revaluation will affect profits in spite of the fact that the regime is more benign than originally feared.

We have reached the end of another football tournament. The 1998 World Cup was not well handled by the pub industry except notably SFI Group which imported big screens. This year it does look as if the pub industry has learnt from the loss of profit it suffered in 1998 although we have noted the fall in the share price of J D Wetherspoon which suffered in 1998 and does not provide large screens.

Over the year we have made a number of alterations to the portfolio. We have sold our two Irish stocks because we believe that interest rates in that country are not high enough for the strength of the Irish economy. As noted above we have retained and added to our holdings in the two major regionals, particularly Greene King. We have also increased the trust's

commitment to the restaurant sub-sector which, in spite of some recent disappointments, continues to show a good return for us; for example we have acquired a holding in Pizza Express. The percentage of the portfolio held in pubcos has reduced, mainly as a result of the departure of Inn Business. Since the end of the period we have compensated for this by expanding the leisure sector where we have bought a holding in Millennium and Copthorne Hotels. Highland Distillers were delisted and have been replaced in the Beverage sector by a holding in HP Bulmer, a company which appears to be on the brink of considerable growth.

The result of the various contrary factors outlined above and the general de-rating of "old economy" stocks has been to create a situation in which the sector is out of fashion at a time when trade has improved and like-for-like sales have turned positive.

Additionally the pub industry would appear to be less threatened by the internet than for example the general retailers. We are optimistic that the level of share prices will improve because the Brewery sector is an area of the market that produces profits, dividends, and cash flow and we believe that investors will in due course return to these old fashioned attributes.

Furthermore, earnings growth for some of the pubcos is forecast at the same rate as that of the more established software and computer services stocks although price earning ratios are often only a third as high. So the Trust is not discouraged about the outlook for our portfolio even if a measure of patience looks still to be in order until some of these issues are resolved and the traditional trading strengths of the sector regain favour.

3 July 2000

**Aberdeen Asset Managers Limited**

# Investment Portfolio

By value at 30 April 2000

<b>Company</b>	<b>Nature of Business</b>	<b>Valuation £'000</b>	<b>Net Assets %</b>
SFI Group	Restaurants, Pubs & Breweries	1,131	6.60
Enterprise Inns	Restaurants, Pubs & Breweries	1,116	6.51
Greene King	Restaurants, Pubs & Breweries	1,061	6.19
Fuller Smith & Turner 'A' Ordinary	Restaurants, Pubs & Breweries	880	5.14
Allied Leisure	Leisure, Entertainment & Hotels	875	5.11
Po Na Na Group**	Restaurants, Pubs & Breweries	867	5.06
Slug & Lettuce Group	Restaurants, Pubs & Breweries	843	4.92
Northern Leisure	Leisure, Entertainment & Hotels	790	4.61
Wolverhampton & Dudley Breweries	Restaurants, Pubs & Breweries	790	4.61
Yates Brothers Wine Lodges	Restaurants, Pubs & Breweries	711	4.15
<b>Top ten investments</b>		<b>9,064</b>	<b>52.90</b>
Burtonwood Brewery	Restaurants, Pubs & Breweries	645	3.77
Springwood	Restaurants, Pubs & Breweries	643	3.75
Old Monk Company*	Restaurants, Pubs & Breweries	634	3.70
Belhaven Brewery Group	Restaurants, Pubs & Breweries	623	3.64
Luminar	Restaurants, Pubs & Breweries	582	3.40
Chorion*	Leisure, Entertainment & Hotels	578	3.37
Jennings Brothers*	Restaurants, Pubs & Breweries	526	3.07
Pizza Express	Restaurants, Pubs & Breweries	509	2.97
Ask Central*	Restaurants, Pubs & Breweries	486	2.84
Buimer HP Holding	Beverages	453	2.64
<b>Top twenty investments</b>		<b>14,743</b>	<b>86.05</b>
Shepherd Neame**	Restaurants, Pubs & Breweries	428	2.50
Ambishus Pub Company*	Restaurants, Pubs & Breweries	410	2.39
City Centre Restaurant	Restaurants, Pubs & Breweries	388	2.27
Groupe Chez Gerard	Restaurants, Pubs & Breweries	375	2.19
Hardys & Hansons	Restaurants, Pubs & Breweries	355	2.07
Young & Co's Brewery non-voting Ordinary	Restaurants, Pubs & Breweries	346	2.02
Hanover International	Leisure, Entertainment & Hotels	341	1.99
Kingfisher Leisure	Restaurants, Pubs & Breweries	326	1.90
Hartford Group*	Restaurants, Pubs & Breweries	273	1.59
Gioma Restaurant	Restaurants, Pubs & Breweries	257	1.50
<b>Top thirty investments</b>		<b>18,242</b>	<b>106.47</b>
Other investments (8)		1,066	6.23
<b>Total fixed asset investments</b>		<b>19,308</b>	<b>112.70</b>
Net liabilities		(2,176)	(12.70)
<b>Total net assets</b>		<b>17,132</b>	<b>100.00</b>

*All investments are in the Ordinary shares of the investee company, with the exception of holdings in Luminar Warrants and Northern Leisure Warrants.*

\* Listed on the AIM

\*\* Listed on OFEX

## Sector Analysis

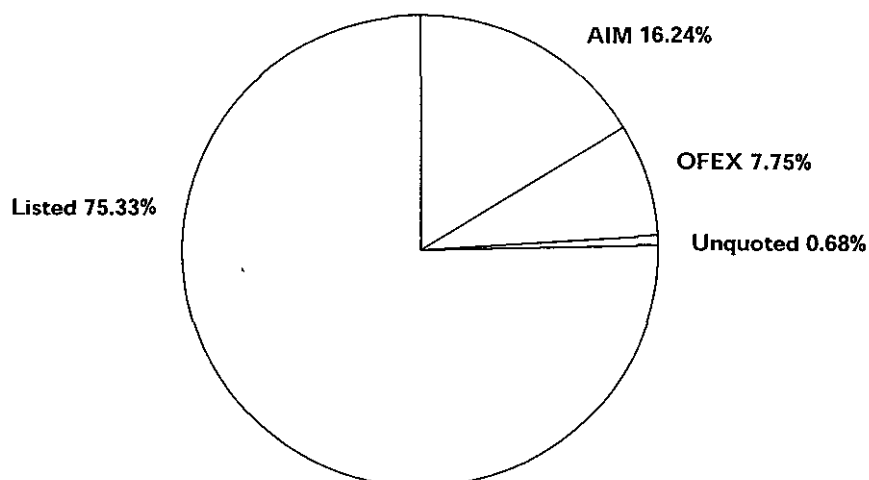
Based on valuations at 30 April 2000

Geographical analysis of investments as a percentage of total net assets

	2000		1999	
	Number of investments	%	Number of investments	%
United Kingdom	37	112.23	43	108.47
Indonesia	1	0.47	1	0.42
Ireland	-	-	1	1.71
Total fixed assets	38	112.70	45	110.60
Net liabilities		(12.70)		(10.60)
<b>Total net assets</b>		<b>100.00</b>		<b>100.00</b>
<b>Classification of investments</b>		<b>%</b>		<b>%</b>
Restaurants, Pubs & Breweries		82.06		86.01
Leisure, Entertainment & Hotels		15.60		12.78
Beverages		2.34		1.21
		<b>100.00</b>		<b>100.00</b>

## Breakdown of Investment Portfolio

By value at 30 April 2000



# Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 April 2000.

## Review of the Business

A review of the Company's activities is given in the Chairman's Statement on page 4 and the Manager's Review on pages 5 and 6.

## Principal Activity and Status

The business of the Company is that of an investment trust investing in the securities of companies whose activities are entirely or mostly in the Restaurants, Pubs & Breweries sector. The Company is an investment company as defined by Section 266 of the Companies Act 1985.

The Company has conducted, and intends to continue to conduct, its affairs so as to be able to seek Inland Revenue approval as an investment trust, approval for which is granted retrospectively in respect of each accounting period. The Inland Revenue has approved the Company as an investment trust for the purpose of Section 842 ICTA 1988 for the year ended 30 April 1999. The affairs of the Company were conducted in such a way as to comply with the qualifying equity rule as defined in the Personal Equity Plan Regulations. From 6 April 1999 the Company, has, and the Directors intend that it will continue to conduct its affairs to satisfy the requirements as a qualifying trust for Individual Savings Accounts.

## Results and Dividends

Revenue on ordinary activities after taxation for the year amounted to £118,000 (1999 - £71,000). The Directors recommend a first and final dividend of 0.4p net per Ordinary share (1999 - 0.3p), at a cost of £64,000 (1999 - £48,000) which, if approved by shareholders at the Annual General Meeting, will be payable on 22 September 2000 to shareholders on the register on the record date, 18 August 2000, leaving £54,000 (1999 - £23,000) to be transferred to distributable reserves.

## Directors

The current Directors of the Company are shown with brief biographical details on page 3. Mr Reid retires by rotation and, being eligible, offers himself for re-election at the Annual General Meeting. Mr Gilbert resigned as a Director on 23 March 2000, and Mr Whitbread was appointed a Director on that date; also on that date Mr Gilbert was appointed alternate Director to Mr Whitbread. Mr Whitbread retires at the Annual General Meeting following his appointment to the Board during the year and, being eligible, offers himself for re-election.

No Director has a service contract with the Company.

The Directors who held office at the year end had no interest other than those interests, all of which are beneficial interests, shown below in the Ordinary shares of the Company.

	At 30 April 2000		At 1 May 1999 or subsequent date of appointment	
	Ordinary shares	Warrants	Ordinary shares	Warrants
L J Ross	18,632	2,000	16,055	2,000
C D Fishwick	5,706	1,000	5,059	1,000
H W Whitbread	118,600	135,000	118,600	135,000
H V Reid	20,292	2,000	17,041	2,000
N R Scourse	5,000	1,000	5,000	1,000

The interests of Mr Ross, Mr Fishwick and Mr Reid have increased since 30 April 2000 by 460 Ordinary shares, 115 Ordinary shares and 575 Ordinary shares respectively, pursuant to their participation in the Aberdeen

## Directors' Report

Investment Trust Share Plan. There have been no other changes to Directors' holdings between 30 April 2000 and 3 July 2000. Mr Gilbert has a beneficial interest in 10,000 Ordinary shares and 7,000 Warrants of the Company.

Mr Gilbert and Mr Fishwick are directors of Aberdeen Asset Managers Limited which acts as Investment Manager of the Company and are also directors of Aberdeen Asset Management PLC, the Secretary of the Company and the holding company of Aberdeen Asset Managers Limited. Aberdeen Asset Managers Limited is entitled to receive fees under the Management Agreement described in note 3 to the financial statements.

Mr Whitbread has a consultancy agreement with the Manager, described in note 4 to the financial statements, terminable by either party giving written notice to the other party. No other Directors were interested in contracts with the Company during the year.

The Company owns shares representing 0.36% in Enterprise Inns PLC of which Mr Reid is chairman and 1.34% in Hanover International PLC of which Mr Whitbread is a director.

### Substantial Interests

The Board has been advised that the following shareholders owned 3% or more of the issued share capital of the Company at the date of this Report:

Shareholder	Number of shares held	% Held
Funds managed by Friends Ivory & Sime	3,915,000	24.57
Funds managed by Aberdeen Asset Managers Limited	2,325,000	14.59
Funds managed by CGU Quilter	1,800,000	11.30
The Royal London Mutual Insurance Society Limited	1,200,000	7.53
Funds managed by Christows Investments PLC	715,000	4.49
Aberdeen High Income Trust PLC *	650,000	4.08
Funds managed by Scottish Mutual	528,000	3.31
Funds managed by Greig Middleton	527,075	3.31
Ecclesiastical Insurance	500,000	3.14

\* Also included within the interests of funds managed by Aberdeen Asset Managers Limited

### Corporate Governance

The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust.

The Board considers that the Company has complied with the provisions contained in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") prepared by the Committee on Corporate Governance published in June 1998, throughout this accounting period, except where noted below. The following statement describes how the relevant principles of governance are applied to the Company.

#### *The Board*

The Board currently consists of five non-executive Directors, a majority of whom are independent of the Company's Investment Manager and free from any business or other relationships which could materially interfere with the exercise of its independent judgement with the Chairman fulfilling the role of senior independent non-executive Director. From their biographies on page 3 it will be seen that the Board has a breadth of experience relevant to the Company. The Articles of Association provide that the number of Directors nearest to, but not greater than, one third of the Board retire by rotation every year. Accordingly, Mr Reid will retire by rotation and offer himself for re-election at the forthcoming Annual General Meeting. The Combined Code requires all

# Directors' Report

Directors to retire and submit themselves for re-election not less than once every three years. Consideration has been given to altering the Articles to make them comply with the Combined Code on this subject. The Company will do so at such time as it undertakes a general redrafting of its Articles. The Board meets regularly and between these formal meetings there is regular contact with the Investment Manager. The Directors also have access to the Company Secretary and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The Board has delegated the following areas of responsibility:

## *Board Committees*

Separate Audit and Management Engagement Committees have been established. The Board as a whole fulfils the function of a Nomination Committee, which meets when necessary to select and propose suitable candidates for appointment.

The Audit and Management Engagement Committees each consist of Directors independent of the Investment Manager. The Audit Committee examines the effectiveness of the Company's internal control system and receives information from the Investment Manager's internal audit and compliance departments. The Management Engagement Committee keeps under review the terms of the Management Agreement.

## *Internal Controls*

The Combined Code has introduced a new requirement that the Directors review the effectiveness of the Company's system of internal control. This extends the existing requirement in respect of internal financial controls to cover all controls including:

- financial;
- operational;
- compliance; and
- risk management.

In September 1999 guidance for directors was published in *Internal Control: Guidance for Directors on the Combined Code* (the Turnbull guidance). However, the Directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal controls in accordance with *Internal control and financial reporting* issued by the Working Group of Internal Control in December 1994. Nevertheless, the Board confirms that it has established procedures necessary to implement the Turnbull guidance such that it can fully comply with it for the accounting period ending on 30 April 2001.

The internal financial control systems are designed to meet the Company's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable and not absolute assurance against misstatement or loss.

The key components designed to provide effective internal financial control within the Company are outlined below.

The Investment Manager prepares forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.

The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board. The Investment Manager's evaluation procedure and financial analysis of the companies concerned includes detailed appraisal and due diligence.

As a matter of course the compliance department of Aberdeen continually reviews the Investment Manager's operations.

# Directors' Report

## ***Financial Statements***

The Directors' responsibilities regarding the financial statements and safeguarding of assets are set out on page 13. The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

## **Going Concern**

After making enquiries and given the nature of the Company, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing financial statements.

## **Relations with Shareholders**

The Investment Manager maintains a regular dialogue with institutional shareholders, the feedback from which is reported to the Board. In addition, Board members and representatives of the Investment Manager are available to answer shareholders' questions at the Annual General Meetings of the Company.

The Secretaries are available to answer general shareholder queries at any time.

## **Final Review of the Year 2000 Project**

In 1997 Aberdeen Asset Management PLC ("Aberdeen") performed a comprehensive risk analysis to determine the impact of the year 2000 issue using guidelines accepted by the British Standards Institute, and developed an action plan to address key areas of risk. The project is now complete and Aberdeen is confident that their internal systems have successfully made the transition into the year 2000.

The risk analysis also considered the impact of year 2000 related failures by Aberdeen's major suppliers and third party administrators. In appropriate cases Aberdeen initiated formal communication with these parties and have reviewed their plans. All major suppliers have confirmed to Aberdeen that they have encountered no year 2000 problems and will promptly inform Aberdeen should any year 2000 issues arise.

Given the potential nature of the problem, Aberdeen will continue to monitor its systems over the forthcoming months. The Board is confident that Aberdeen has achieved business as usual and will provide resources to deal promptly with any issues that might arise.

## **Creditor Payment Policy**

The Company policy is to pay Stock Exchange trade creditors on dates of settlement and all other creditors are paid in accordance with agreed terms and conditions for its business transactions, subject to these terms and conditions being met. At 30 April 2000 33 days of purchases were outstanding and there were £579,000 of creditors in relation to the purchase of investments.

## **Special Business at Annual General Meeting**

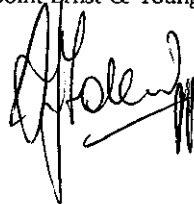
The Directors are seeking renewal of a limited authority to allot Ordinary shares. This authority will be restricted to the allotment of shares in connection with a rights issue or open offer in favour of shareholders and to issues of new shares up to an aggregate nominal amount of £199,200, being 5% of the total capital in issue on 3 July 2000.

# Directors' Report

## **Auditors**

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

One Bow Churchyard, Cheapside,  
London EC4M 9HH  
3 July 2000



By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

## Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Auditors' Report to the Members of The Taverners Trust PLC

We have audited the financial statements on pages 15 to 25 which have been prepared under the historical cost convention as modified by the revaluation of investments and on the basis of the accounting policies set out on pages 18 and 19.

## **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report. As described on page 13, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on pages 10 to 12 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **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 affairs of the Company at 30 April 2000 and of its total return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

3 July 2000

  
Ernst & Young  
Registered Auditor  
London

# Statement of Total Return

(Incorporating the Revenue Account of the Company\*)

For the year ended 30 April 2000

	Notes	2000			1999 (restated**)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses) on investments	9	-	(1,032)	(1,032)	-	(2,945)	(2,945)
Income	2	588	-	588	534	-	534
Investment management fee	3	(160)	(160)	(320)	(142)	(141)	(283)
Other expenses	4	(199)	-	(199)	(190)	-	(190)
<b>Net return/(loss) before finance costs and taxation</b>		229	(1,192)	(963)	202	(3,086)	(2,884)
Interest payable and similar charges	5	(103)	(102)	(205)	(119)	(117)	(236)
<b>Return/(loss) on ordinary activities before tax</b>		126	(1,294)	(1,168)	83	(3,203)	(3,120)
Tax on ordinary activities	6	(8)	5	(3)	(12)	7	(5)
<b>Return/(loss) on ordinary activities after tax</b>		118	(1,289)	(1,171)	71	(3,196)	(3,125)
Dividends in respect of equity shares	7	(64)	-	(64)	(48)	-	(48)
<b>Transfer to/(from) reserves</b>	14	<b>54</b>	<b>(1,289)</b>	<b>(1,235)</b>	<b>23</b>	<b>(3,196)</b>	<b>(3,173)</b>
<b>Return/(loss) per Ordinary share (pence):</b>	8						
<b>Basic</b>		<b>0.74</b>	<b>(8.10)</b>	<b>(7.36)</b>	<b>0.45</b>	<b>(20.17)</b>	<b>(19.72)</b>

\* The revenue column of this statement is the revenue account of the Company.

\*\* See note 1(c).

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

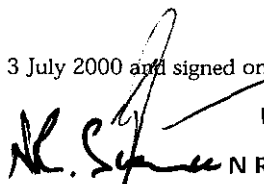

All revenue and capital items in the above statement derive from continuing operations.

# Balance Sheet

As at 30 April 2000

	Notes	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Investments	9	19,308	20,216
<b>Current assets</b>			
Debtors	10	56	549
Cash at bank and in hand		1,540	664
		1,596	1,213
<b>Creditors: amounts falling due within one year</b>	11	(772)	(3,150)
<b>Net current assets/(liabilities)</b>		824	(1,937)
<b>Total assets less current liabilities</b>		20,132	18,279
<b>Creditors: amounts falling due after more than one year</b>	12	(3,000)	–
<b>Total net assets</b>		<b>17,132</b>	<b>18,279</b>
<b>Capital and reserves</b>			
Called-up share capital	13	3,984	3,962
Share premium account	14	10,536	10,442
Other reserves:			
Warrant reserve	14	981	1,009
Capital reserve - realised	14	2,064	883
Capital reserve - unrealised	14	(595)	1,875
Revenue reserve	14	162	108
<b>Total equity shareholders' funds</b>		<b>17,132</b>	<b>18,279</b>
<b>Net asset value per Ordinary share (pence):</b>			
<b>Basic</b>	15	<b>107.51</b>	<b>115.34</b>
<b>Fully-diluted</b>		<b>106.29</b>	<b>112.78</b>

The financial statements were approved by the Board of Directors on 3 July 2000 and signed on its behalf by:


**L J Ross** Chairman  

**N R Scourse** Director

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

# Cash Flow Statement

For the year ended 30 April 2000

	Notes	2000		1999	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	16		99		42
<b>Servicing of finance</b>					
Bank interest paid		(216)		(236)	
<b>Net cash outflow from servicing of finance</b>			(216)		(236)
<b>Taxation</b>					
UK tax recovered		7		92	
Withholding and income tax recovered		2		7	
<b>Net tax recovered</b>			9		99
<b>Financial investment</b>					
Purchase of investments		(6,574)		(6,949)	
Sale of investments		7,532		7,489	
<b>Net cash inflow from financial investment</b>			958		540
<b>Equity dividend paid</b>			(48)		(40)
<b>Net cash inflow before financing</b>			802		405
<b>Financing</b>					
Proceeds from exercise of Warrants			88		-
<b>Increase in cash</b>	17		<b>890</b>		<b>405</b>
<b>Reconciliation of net cash flow to movements in net funds/(debt)</b>					
Increase in cash as above			890		405
Net debt at 1 May 1999			(2,350)		(2,755)
<b>Net debt at 30 April 2000</b>	17		<b>(1,460)</b>		<b>(2,350)</b>

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

# Notes to the Financial Statements

For the year ended 30 April 2000

## 1. Accounting policies

### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of fixed asset investments and in accordance with applicable Accounting Standards.

### (b) Valuation of investments

UK listed investments are valued according to the prices issued by the London Stock Exchange. Unlisted investments are included in the financial statements at valuation determined by the Directors. Realised surpluses or deficits on disposal of investments and permanent impairments in the value of investments are taken to capital reserve - realised and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve - unrealised, as explained in note 1 (f) below.

### (c) Income

Dividends receivable on equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. The fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amounts of the cash dividend is recognised in capital reserve. In accordance with Financial Reporting Standard 16 'Current Tax' franked investment income is shown net of notional tax credits. Comparative figures have been restated to reflect this policy.

### (d) Expenses

All expenses are accounted for on an accruals basis. 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 investments;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investments;
- expenses are charged to capital reserve - realised where a connection with the maintenance or enhancement of the value of investments can be demonstrated. In this respect the investment management fee and loan interest on the £3m bank loan have been allocated 50% to capital reserve - realised and 50% to revenue account.

### (e) Taxation

The charge for taxation is based on the net revenue for the year. Provision is made for deferred taxation, using the liability method on all material timing differences, to the extent that it is probable that a liability will crystallise. The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting year.

### (f) Capital reserves

#### Capital reserves - 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;
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

## Notes to the Financial Statements

### Capital reserves - 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;
- unrealised gains and losses on transactions undertaken to hedge an exposure of a capital nature.

### (g) Foreign currency

Monetary assets and liabilities are converted into Sterling at the rate of exchange ruling at the balance sheet date. Transactions during the year involving foreign currencies are converted at the rate of exchange ruling at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

	2000	1999 (restated)
	£'000	£'000
<b>2. Income</b>		
<b>Income from investments</b>		
Franked investment income (net)	541	466
UK unfranked investment income	20	20
Overseas dividends	8	17
	569	503
<b>Other income</b>		
Deposit interest	19	28
Other	-	3
	19	31
<b>Total income</b>	<b>588</b>	<b>534</b>
<b>Total income comprises:</b>		
Dividends	569	503
Interest	19	28
Other income	-	3
	<b>588</b>	<b>534</b>
<b>Income from investments:</b>		
Listed UK	504	445
Listed overseas	8	17
Unlisted	57	41
	<b>569</b>	<b>503</b>

With effect from 1 May 1999 franked investment income is presented excluding attributable tax credits. Previously, franked investment income was presented including attributable tax credits which were then also included within the charge for taxation. The change, which has no effect on the net income after taxation for the period, has been made to comply with FRS 16 "Current Tax"; comparative figures have been restated. The effect of this change in presentation is to decrease franked investment income and the tax charge by equal amounts of £60,000 (1999 - £103,000) resulting in no net change in the net income after taxation for the year for either 2000 or 1999.

## Notes to the Financial Statements

	2000			1999		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>3. Investment management fee</b>						
Investment management fee	160	160	320	142	141	283

The Company has an agreement with Aberdeen Asset Managers Limited ('AAM') for the provision of management services.

Management fees are paid calculated on the net asset value at each month-end (excluding loan facilities) at a rate of 0.1% per month plus VAT. The agreement is terminable on two years' notice. The balance due to AAM at the year end was £49,000 (1999 - £25,000).

	2000 £'000	1999 £'000
<b>4. Other expenses</b>		
Share plan marketing contributions	16	15
Administration fees	69	59
Directors' fees	53	53
Printing	9	10
Auditors' remuneration:		
- audit	11	12
- for other services	3	5
Other	38	36
	<b>199</b>	<b>190</b>

The Chairman, who is the highest paid Director, received £12,500 in fees during the year. Each of the other Directors received £10,000. Mr Whitbread has a consultancy agreement with Aberdeen Asset Managers Limited ('Aberdeen'). His fee is calculated at 31.25% of the investment management fee paid monthly. The amount due to Mr Whitbread during the year was £100,000 (1999 - £88,000).

The Company makes a contribution towards the costs incurred by Aberdeen in marketing the Trust's shares. The prepayment to Aberdeen at the year end was £3,000 (1999 - accrual of £5,000).

The Company has an agreement with Aberdeen for the provision of administration services. The fee is charged at £50,000 per annum plus VAT to be reviewed annually to take account of changes in RPI, but in no event to be less than £50,000. The agreement is terminable on six months' notice. The accrual to Aberdeen at the year end was £30,000 (1999 - prepayment of £10,000).

	2000			1999		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>5. Interest payable and similar charges</b>						
On bank loans and overdrafts	103	102	205	119	117	236

## Notes to the Financial Statements

	2000			1999 (restated)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>6. Tax on ordinary activities</b>						
Overseas taxation	3	-	3	5	-	5
Tax attributable to expenses charged to capital	5	(5)	-	7	(7)	-
	<b>8</b>	<b>(5)</b>	<b>3</b>	<b>12</b>	<b>(7)</b>	<b>5</b>

Comparative figures for the year ended 30 April 1999 have been restated in line with FRS 16 'Current Tax' (see note 2).

	2000 £'000	1999 £'000
<b>7. Dividends on equity shares</b>		
Dividends on equity shares at 0.4p per share (1999 - 0.3p)	<b>64</b>	<b>48</b>

	2000			1999		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
<b>8. Return per Ordinary share</b>						
Basic	<b>0.74</b>	<b>(8.10)</b>	<b>(7.36)</b>	<b>0.45</b>	<b>(20.17)</b>	<b>(19.72)</b>

The basic revenue return per Ordinary share is calculated on the net revenue on ordinary activities after taxation of £118,000 (1999 - £71,000) and on 15,906,426 (1999 - 15,848,000) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

The basic capital return per Ordinary share is calculated on net capital losses for the year of £1,289,000 (1999 - losses of £3,196,000) and on 15,906,426 (1999 - 15,848,000) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Fully diluted returns calculated on the basis set out in Financial Reporting Standard 14 'Earning per Share' ('FRS14') indicate that the exercise of Warrants in issue would have no dilutive effect on returns.

	2000 £'000	1999 £'000
<b>9. Investments</b>		
Investments listed on a recognised investment exchange	14,546	15,706
Unlisted investments (including OFEX and AIM investments)	4,762	4,510
	<b>19,308</b>	<b>20,216</b>

## Notes to the Financial Statements

	<b>Listed in UK £'000</b>	<b>Listed overseas £'000</b>	<b>Unlisted (incl. OFEX &amp; AIM shares) £'000</b>	<b>Total £'000</b>
Book cost at 1 May 1999	13,937	220	4,184	18,341
Unrealised appreciation/(depreciation) at 1 May 1999	1,692	(143)	326	1,875
Valuation at 1 May 1999	15,629	77	4,510	20,216
Movements in the year:				
Purchases at cost	5,882	-	1,271	7,153
Sales - proceeds	(5,419)	-	(1,610)	(7,029)
- realised gains	721	-	717	1,438
(Decrease)/increase in unrealised appreciation	(2,348)	4	(126)	(2,470)
Valuation of investments at 30 April 2000	<b>14,465</b>	<b>81</b>	<b>4,762</b>	<b>19,308</b>
Book cost at 30 April 2000	15,121	220	4,562	19,903
Unrealised (depreciation)/appreciation at 30 April 2000	(656)	(139)	200	(595)
	<b>14,465</b>	<b>81</b>	<b>4,762</b>	<b>19,308</b>
		<b>2000</b>		<b>1999</b>
		<b>£'000</b>		<b>£'000</b>
Realised gain on sales		1,438		806
Decrease in unrealised appreciation		(2,470)		(3,751)
Losses on investments		<b>(1,032)</b>		<b>(2,945)</b>
		<b>2000</b>		<b>1999</b>
		<b>£'000</b>		<b>£'000</b>
<b>10. Debtors: amounts falling due within one year</b>				
Amounts due from brokers		-		503
Tax recoverable		-		9
Prepayments and accrued income		56		37
		<b>56</b>		<b>549</b>
		<b>2000</b>		<b>1999</b>
		<b>£'000</b>		<b>£'000</b>
<b>11. Creditors: amounts falling due within one year</b>				
Bank overdrafts		-		14
Bank loans		-		3,000
Amounts due to brokers		579		-
Proposed dividends		64		48
Other creditors		129		88
		<b>772</b>		<b>3,150</b>

## Notes to the Financial Statements

	2000	1999
	£'000	£'000
<b>12. Creditors: amounts falling due after more than one year</b>		
Bank loan	3,000	-

On 21 June 1999 the Robert Fleming loan facility was rolled forward for five years at a fixed rate of 6.67% per annum. Under guidelines issued under FRS13, the loan has an estimated fair value of £2,962,000

	2000		1999	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£'000	£'000	£'000	£'000
<b>13. Called up share capital</b>				
Ordinary shares of 25p each	12,500	3,984	12,500	3,962

At 30 April 2000 there were in issue 15,936,000 Ordinary shares of 25p each. At 30 April 2000 there were in issue 3,081,600 Warrants to subscribe for one new Ordinary share at 100p on 31 August in each of the years 2000 to 2010 inclusive or, if later, the date in any such year 30 days after the date on which copies of the audited financial statements of the Company for its then immediately preceding financial year are dispatched to shareholders.

Details of the share capital issued in the year are shown on the inside back cover of this Report.

	Share premium account	Warrant reserve	Capital reserve - realised	Capital reserve - unrealised	Revenue reserve
	£'000	£'000	£'000	£'000	£'000
<b>14. Capital reserve</b>					
At 1 May 1999	10,442	1,009	883	1,875	108
Net gain on realisation of investments	-	-	1,438	-	-
Proceeds from issue of shares	66	-	-	-	-
Exercise of Warrants	28	(28)	-	-	-
Movement in unrealised appreciation	-	-	-	(2,470)	-
Costs charged to capital	-	-	(262)	-	-
Tax effect of capital items	-	-	5	-	-
Retained net revenue for the year	-	-	-	-	54
At 30 April 2000	<b>10,536</b>	<b>981</b>	<b>2,064</b>	<b>(595)</b>	<b>162</b>

# Notes to the Financial Statements

## 15. Net asset value per share

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

	Net asset value per share attributable		Net asset values attributable	
	2000 p	1999 p	2000 £'000	1999 £'000
Ordinary shares – basic	107.51	115.34	17,132	18,279
– fully diluted	106.29	112.78		

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

	2000 £'000	1999 £'000
Total net assets attributable at 1 May 1999	18,279	21,452
Total recognised losses for the year	(1,171)	(3,125)
Issue of shares on conversion of Warrants	88	–
Dividends appropriated in the year	(64)	(48)
Total net assets attributable at 30 April 2000	17,132	18,279

The basic net asset value per Ordinary share is based on total net assets, and on 15,936,000 (1999 - 15,848,000) Ordinary shares, being the number of Ordinary shares in issue at the year end.

The fully-diluted net asset value per Ordinary share is calculated by adding the proceeds of the exercise of the outstanding Warrants to the total net assets and the potential number of Ordinary shares issued on exercise of the Warrants to number used in the basic calculation.

FRS 14 (see note 8) requires a different method of calculation to be used, with the number of shares being adjusted by the number of shares effectively issued for no consideration on exercise of the Warrants. The FRS 14 method of calculation indicates that the exercise of Warrants would have no dilutive effect on net asset values.

	2000 £'000	1999 (restated) £'000
<b>16. Reconciliation of operating revenue to net cash inflow from operating activities</b>		
Net revenue before interest payable and taxation	229	202
(Increase)/decrease in accrued income	(24)	18
Decrease/(increase) in other debtors	5	(4)
Increase/(decrease) in other creditors	52	(28)
Expenses charged to capital	(160)	(141)
Overseas withholding tax suffered	(3)	(5)
Net cash inflow from operating activities	99	42

Comparative figures for the year ended 30 April 1999 have been restated in line with FRS 16 'Current Tax' (see note 2).

## Notes to the Financial Statements

	<b>1 May 1999</b>	<b>Cash flow</b>	<b>Other non cash movements</b>	<b>30 April 2000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>17. Analysis of changes in net funds/(debt)</b>				
Net cash:				
Cash at bank and overdrafts	650	890	-	1,540
Debt:				
Debts falling due within one year	(3,000)	-	3,000	-
Debts falling due after more than one year	-	-	(3,000)	(3,000)
	(3,000)	-	-	(3,000)
Net debt	<b>(2,350)</b>	<b>890</b>	<b>-</b>	<b>(1,460)</b>

### 18. Contingent liabilities

At 30 April 2000 there was a contingent liability of £76,000. This sum is the total cost which would arise on conversion of Warrants held in Luminar and Northern Leisure (1999 – nil).

### 19. Related party transactions

The agreements with and the balance due to Aberdeen Asset Managers Limited at the year end are disclosed in notes 3 and 4.

### 20. Financial instruments

The Company's financial instruments comprise:

- Equities that are held in accordance with the Company's investment objectives, which are set out on page 1 of this Report and Accounts;
- Term loans and bank overdrafts, the main purpose of which are to raise finance for the Company's operations; and
- 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 and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the inception of the Company.

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 disclosures under financial instruments.

#### Market price risk

Market price risk arises mainly from uncertainty about 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.

To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. 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 investments held by the Company at 30 April 2000 is shown in the 'Investment Portfolio' table on page 7. All investments are stated at market value.

#### Interest rate risk

The Company, at present, has no investments in fixed rate or floating securities. The borrowings of £3m at the year-end were fixed at a rate of 6.67% (1999 – 7.77%) (see note 12).

#### Foreign currency risk

The income and capital value of the Company's investments are mainly denominated in Sterling; therefore, the Company is not subject to any significant risk of currency movements.

# Information About the Manager

## **Aberdeen Asset Managers Limited**

The Company's manager is Aberdeen Asset Managers Limited ('AAM'), a wholly-owned subsidiary of Aberdeen Asset Management PLC whose Group companies manage a combined £20.8 billion of funds for UK institutions, investment trusts, closed-end funds, unit trusts, private clients and offshore funds.

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

Over the past dozen years the Group has grown rapidly through a combination of acquisition and organic growth. The Group now has 24 investment trusts and other closed-end funds under management. They adhere closely to the Group's investment style which is that of fundamental investors, with an emphasis on company visits and original research.

## **Aberdeen Managed Investment Trusts**

The Group manages investment trusts and closed-end funds which have combined total assets of around £2.7 billion. The funds cover a wide range of markets and sectors, including the UK, Europe, the Far East, emerging markets and the technology sector. As well as portfolio management, company secretarial, administrative and marketing services to the individual funds are also provided.

## **Aberdeen Investment Trust Share Plan**

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

## **Aberdeen Investment Trust Individual Savings Account**

The Aberdeen Investment Trust ISA ("the ISA") is now available. It aims to generate income and/or capital growth within a tax efficient environment. The ISA allows investors to hold a wider range of investments than is possible with a PEP. We have therefore made available Aberdeen's full range of investment trusts and closed-end funds in the ISA. You can also hold up to three components within an ISA: stocks and shares (including investment trusts and closed-end funds), cash and life insurance. AAM offers both a Mini and Maxi stocks and shares ISA.

### **Maxi ISA**

The Maxi ISA offers the full range of AAM managed investment trusts and closed-end funds including emerging markets and specialist trusts. The Maxi ISA does not have a cash or life insurance component. An investment of up to £7,000 can be made in the tax year 2000/2001.

### **Mini ISA**

AAM offers a Mini ISA which will enable you to invest up to £3,000 in Aberdeen investment trusts and closed-end funds. In addition, you will be able to invest up to £1,000 in the cash and life insurance elements with another provider (increased to £3,000 for cash in the tax year 2000/2001).

There are no brokerage or initial charges for the Aberdeen Investment Trust ISA. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA management charge is 0.5%, calculated monthly and deducted from income quarterly. Under current legislation, trusts can grow free of income or capital gains tax. In the case of dividends paid by investment trusts held within an ISA, a 10% tax credit will be reclaimed until April 2004, when the tax credit will be abolished.

# Information About the Manager

## Trust Information

If you would like details of any of the following trusts managed by AAM, or copies of Share Plan or ISA brochures please telephone AAM's Brochureline on 0500 00 40 00 or write to Aberdeen Asset Managers Limited, One Albyn Place, Aberdeen AB10 1YG, or email on [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com). Details are also available by accessing the internet on pages <http://www.aberdeen-asset.com>

**Aberdeen Asian Smaller Companies Investment Trust PLC†**

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

**Aberdeen Convertible Income Trust PLC**

High income from convertibles.

**Aberdeen Development Capital PLC**

Development capital.

**Aberdeen Emerging Economies Investment Trust PLC†**

Long term capital growth from global emerging markets.

**Aberdeen High Income Trust PLC**

High income from UK split-capital investment trusts.

**Aberdeen Latin American Investment Trust PLC†**

Long term capital growth from Latin America.

**Aberdeen New Dawn Investment Trust PLC†**

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

**Aberdeen New Thai Investment Trust PLC†**

Single-country trust.

**Aberdeen Preferred Income Trust PLC**

High income with exposure to the UK equity market.

**Aberdeen Preferred Securities PLC**

Capital growth from Zero dividend preference shares.

**Broadgate Investment Trust PLC**

Income and capital growth from a portfolio of blue chip and high yielding securities.

**Danae Investment Trust PLC**

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

**Jersey Phoenix Trust Limited†**

Capital and income growth split-capital trust from a portfolio of mainly equity investments.

**Jove Investment Trust PLC**

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

**Leveraged Income Fund Limited†**

Income and capital growth split-capital trust.

**Radiotrust PLC**

Long-term capital growth from quoted and unquoted sound broadcasting companies.

**The Enhanced Zero Trust PLC**

Capital growth primarily from zero dividend preference shares.

**The European Monthly Income Trust Limited†**

Income and capital growth from European equities and high yielding securities.

**The European Technology and Income Company Limited†**

Income and Capital growth from a portfolio of high yielding and European technology stocks.

**The Smaller Companies Investment Trust PLC**

Capital and income growth from a portfolio of UK-quoted smaller companies.

**The Taverners Trust PLC**

Capital growth from the brewing and licensed retailing industry.

**The Technology and Income Trust Limited†**

Income and capital growth from a portfolio of high yielding and technology securities.

*All trusts are in the Aberdeen Share Plan and are fully PEP qualifying except where indicated†. All trusts are fully ISA qualifying and are available within the Aberdeen ISA.*

*The information on pages 26 to 27 is issued and has been approved for the purposes of the Financial Services Act 1986 by Aberdeen Asset Managers Limited, One Bow Churchyard, Cheapside, London EC4M 9HH which is regulated by IMRO.*

# Marketing Strategy

The Taverners Trust PLC has agreed to contribute to the Marketing Programme run by the Manager, Aberdeen Asset Managers Limited, on behalf of a number of investment trusts under its management. This agreement will see the Company's contribution matched by Aberdeen over its three-year length and is now worth £13,350 (plus VAT) a year, reviewed on an annual basis (calendar year).

The purpose of the Programme is to communicate effectively with existing shareholders and gain more new shareholders, thus improving liquidity and thereby enhancing the value and rating of the Company's shares. Our recent experience has also shown that well-targeted marketing of the Company's investment merits through packaged products, whether singly, or in conjunction with other trusts run by Aberdeen, can be a cost-effective way of gaining new investors.

These aims can be met in several ways:

**Investor relations programme** Aberdeen runs an investor relations programme to existing and prospective institutional investors in investment trusts. Each month, institutional investors and prospects receive a Manager's report on your Company that includes detailed performance analysis.

**Group schemes** The Manager runs both a group Share Plan and ISA. These schemes allow investment free of dealing costs and with only nominal exit charges, and have proved popular with private investors.

**Direct response advertising** The Manager advertises the packaged product availability of the Trust in selected surveys in national broadsheets as well as the specialist financial press.

**Direct mail** Periodic mail shots of information packs inviting named addressees to respond is a low-cost method of building awareness and investor databases. Target groups include existing holders of other Aberdeen investment trusts as well as known buyers of investment trusts.

**Newsletter** The 'Bulletin' newsletter, an informed commentary on markets and investment trusts managed by Aberdeen is distributed free of charge twice a year, and shortly, quarterly.

**Public relations** The Manager undertakes to brief journalists, write regularly through placed articles and ensure Company results and any corporate activity are brought to public attention.

**Shareholder services** Aberdeen runs an investment help desk for retail enquirers and investors with a staff of more than 80. Enquirers or investors will be sent any relevant literature on request and have queries answered immediately. The Marketing Programme is under the direction of Aberdeen's Investment Trust Marketing Director, who has fifteen years experience in the marketing and communications of investment products. He is supported by a team of three marketing professionals.

**Internet** The Aberdeen Investment Trusts web site contains a link to TrustNet, which allows web users to access real time information on the Company's share price performance, yield, as well as historical data. The site is continuously being evaluated for improvement. The site is <http://www.taverners-trust.co.uk>

It is intended that ongoing Programme activities in these various fields, both proactive and supportive, will assist the Company to increase and maintain its shareholder base, improve liquidity and sustain ratings.

The Company is committed to a close monitoring of the Marketing Programme. The Marketing Director reports to the Board on a quarterly basis.

If you have any questions about your company, the Manager or performance, please telephone our Customer Services Department (direct private investors) on **0500 00 00 40** or our Broker Desk on **0800 592 487** (Institutions and IFAs). Alternatively, internet users may e-mail us on [inv.trusts@aberdeen-asset.com](mailto:inv.trusts@aberdeen-asset.com) or write to us at One Albyn Place, Aberdeen AB10 1YG.

# Notice of Meeting

Notice is hereby given that the fourth Annual General Meeting of The Taverners Trust PLC will be held at One Bow Churchyard, Cheapside, London EC4M 9HH, at 12.30 pm on 20 September 2000 to consider the following resolutions:

## *As Ordinary Business*

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

1. To receive the Directors' report and financial statements for the year ended 30 April 2000, together with the auditors' report thereon.
2. To declare a first and final dividend.
3. To re-elect Mr Reid, a Director, retiring by rotation, as a Director.
4. To elect Mr H W Whitbread, a Director appointed during the year, as a Director.
5. To reappoint Ernst & Young as auditors and to authorise the Directors to agree their remuneration.

## *As Special Business*

To consider and, if thought fit, pass the following Resolution which will be proposed as an Ordinary Resolution.

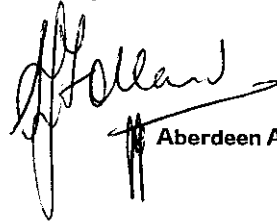
6. THAT with effect from the time of the passing of this resolution the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate amount of £199,200 representing approximately 5 per cent. of the present issued share capital during the period expiring at the conclusion of the next Annual General Meeting of the Company in 2001, but so that this authority shall allow the Company and its Directors to make offers or agreements before the expiry and the Directors may do so as if such expiry had not occurred.

As special business, to consider the following resolution, which will be proposed as a special resolution:

7. THAT, subject to the passing of resolution number 6 set out above, the Directors be and are hereby empowered, pursuant to Section 95(1) of the Companies Act 1985, to allot equity securities (within the meaning of Section 94(2) of the said Act) for cash pursuant to the authority conferred by resolution number 6 as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:
  - (a) (otherwise than pursuant to sub-paragraph (b) below) which are, or are to be, wholly paid up in cash, at a price not less than the net asset value per share at allotment, as determined by the Directors, up to an aggregate nominal value of £199,200; and
  - (b) in common with issues by way of rights in favour of all holders of Ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them on the record date of such allotment or otherwise allotted in accordance with the rights conferred on such equity securities (but subject in either case to such exclusions or other arrangements or legal problems under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever) at a price of not

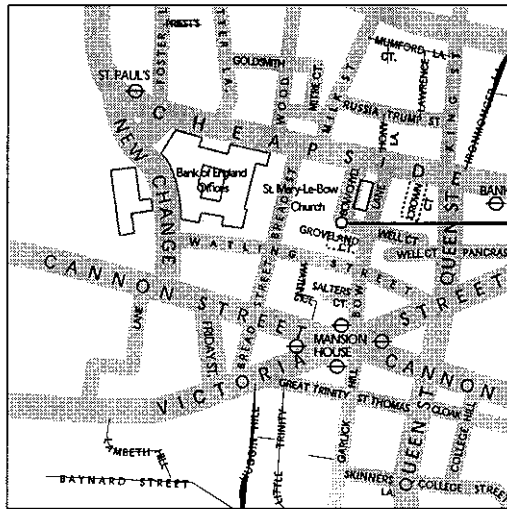
less than the net asset value per share at allotment, as determined by the Directors; and shall expire at the conclusion of the Annual General Meeting of the Company in 2001, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may do so as if such expiry had not occurred.

One Bow Churchyard, Cheapside  
London EC4M 9HH  
10 July 2000



By order of the Board  
**Aberdeen Asset Management PLC**  
Secretaries

### Annual General Meeting on 20 September 2000 at 12.30 pm



Aberdeen Asset Managers Limited  
One Bow Churchyard, Cheapside, London

#### Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. Instruments of proxy and the power of attorney or other authority, if any, under which they are signed or a notarially certified copy of that power of attorney or authority should be sent to Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh, EH3 5WZ, so as to arrive not less than forty eight hours before the time fixed for the meeting.
3. No Director has a service contract with the Company.
4. The Register of Directors' interests is kept by the Company in accordance with Section 325 of the Companies Act 1985 and will be open for inspection at the meeting.

# Proxy

Please complete in block capitals

I/We† .....

of .....

being (a) shareholder(s) of The Taverners Trust PLC hereby appoint \*the Chairman of the meeting/

.....

as my/our proxy to vote for me/us on my/our behalf at the fourth Annual General Meeting of the Company to be held on 20 September 2000 and at any adjournment thereof.

I/we direct my/our proxy to vote on the resolutions as set out in the notice convening the Annual General Meeting as follows:

Resolution		For	Against
1. Directors' report and financial statements	**		
2. Declaration of first and final dividend	**		
3. Re-election of Mr Reid	**		
4. Election of Mr Whitbread	**		
5. Reappointment of auditors	**		
6. Special Business	**		
7. Special Business	**		

Signed ..... this ..... day of ..... 2000

To be valid, the form of proxy must be lodged with The Registrars, The Taverners Trust PLC, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5WZ, not less than forty-eight hours before the time fixed for the meeting.

† In any case of joint holders, the signature of any one holder will be sufficient. In the case of a corporation, the proxy should be executed under its common seal or under the hand of an officer/attorney, duly authorised in writing on its behalf.

\* If it is desired to appoint any other person as a proxy, insert their name and strike out "the Chairman of the meeting".

\*\* Please indicate how you wish your vote to be cast by placing an "X" in the appropriate box. Unless otherwise indicated the proxy will exercise his discretion both as to how to vote and as to whether or not he abstains from voting.

Third Fold and Tuck In

BUSINESS REPLY SERVICE  
Licence No. SCO 4281

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**The Registrars  
The Taverners Trust PLC  
Lloyds TSB Registrars Scotland  
117 Dundas Street  
EDINBURGH  
EH3 5WZ**

First Fold

Second Fold

## Shareholder Information

### Issued Share Capital

15,936,000	Ordinary shares of 25p
3,081,600	Warrants to subscribe for Ordinary shares at 100p per share

### Capital History

19 March 1996	Offer of up to 40,000,000 Ordinary shares of 25p with up to 8,000,000 Warrants attached
4 April 1996	Dealings commence in units comprising 5 Ordinary shares and 1 Warrant per unit
15 May 1996	Dealings commence separately in Ordinary shares and Warrants
7 September 1999	88,000 Ordinary 25p shares issued following the exercise of 88,000 Warrants in the period to 31 August 1999

### Shareholder distribution

As at 30 April 2000 there were 15,936,000 Ordinary shares of 25p in issue. These were distributed as follows:

Range	Number of	
	Ordinary shareholders	Shares held %
1 – 1,000	60	0.23
1,001 – 5,000	76	1.67
5,001 – 10,000	45	2.29
10,001 – 100,000	37	8.90
100,001 and over	22	86.91
	<b>240</b>	<b>100.00</b>

### Shares and Warrant prices

The prices of the Company's Ordinary shares are published daily in the *Financial Times*, *The Daily Telegraph* and the *Evening Standard*.

### Share price and its relationship with the net asset value

Some private investors in investment trusts may be unfamiliar with the concept of 'premium' and 'discount' to net asset value. The Directors thought that it would be helpful to offer an explanation of a concept that is mentioned a great deal in the financial press. Put simply, the idea is to measure the percentage difference between the share price of an investment trust and its net asset value (which is the intrinsic value of a company's assets less liabilities divided by the number of shares in issue). Thus if the net asset value was 100p and the shares were trading at 90p the shares are said to trade on a discount (to nav) of 10%. Similarly if the shares were trading at 105p there would be a premium of 5%. At the time of this report, the shares in The Taverners Trust PLC are trading at 87p and the fully diluted net asset value is currently 109.17p. This means that they are trading at a discount of 20.3%. Many people ask what determines whether a particular trust trades at a discount or a premium and what determines the correct level? The simple answer to this question is 'the market'. Premiums and discounts are driven by the fundamental law of supply and demand. This in turn is affected very much by fashion and, it has to be said, the record and reputation of the management. At the time of writing, the average discount is approximately 13%.



# Aberdeen

*Aberdeen Asset Managers Limited*

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One Bow Churchyard, Cheapside, London EC4M 9HH. Telephone 020 7463 6000 Fax 020 7463 6001

*Regulated by IMRO*

*Member of the Aberdeen Asset Management Group of Companies*