

2732011

# Foreign & Colonial PEP and ISA Investment Trust PLC

(Formerly Foreign & Colonial PEP Investment Trust PLC)

Report & Accounts 1999

Foreign  Colonial



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To secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies and leading European companies.

## Summary of Results

Attributable to equity shareholders	30 Sept 1999	30 Sept 1998	% change
Net assets	£101.89m	£95.58m	+ 6.6
Net asset value per share	191.14p	161.91p	+ 18.1
Net revenue	£2.71m	£2.79m	- 2.9
Earnings per share	4.74p	4.72p	+ 0.4
Dividends per share	4.80p	4.65p	+ 3.2
Share price	171.50p	143.00p	+ 19.9

## Financial Calendar

Annual General Meeting	9 February 2000
Final dividend payable	10 February 2000
Interim results for 1999/2000 announced	June 2000
Interim dividend payable	July 2000
Final results for 1999/2000 announced	November 2000

Company Registration Number: 2732011

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# Chairman's Statement

Dear Shareholder

## Summary

The overall result for the year to 30 September 1999 is a 19.9% increase in your Company's share price on that date as a result of a 18.1% increase in net asset value per share and a reduction in the discount to net asset value from 11.7% to 10.3%. Over the same period, the FTSE All-Share Index increased by 20.5% in capital terms. Your Company's total return, including dividends of 20.6%, as calculated by the Association of Investment Trust Companies, was ahead of the peer group's average total return of 20.1%.

Your directors are recommending a final dividend of 2.95p (net) to give a total of 4.8p for the year, an increase of 3.2%. Gross investors, such as those who hold the shares of this Company in a Personal Equity Plan or an Individual Savings Account, will be entitled to a 10% tax credit on the dividend payment.

## Capital Performance

There were two distinct periods during the year with the market rising strongly to reach a new peak in July, before falling back over the last three months. The sharp rise in the first period was driven by lower interest rates, which were cut to aid recovery from the turmoil in financial markets caused by the collapse of the LTCM hedge fund and a crisis in emerging markets. Initially this rally was concentrated amongst the largest companies in the stockmarket, but it subsequently broadened out to include many smaller and medium sized companies. This trend was favourable for your Company which has relatively large holdings in smaller and medium sized companies and helped the portfolio overall to outperform its benchmark in the second half of the year.

The Manager's review examines more closely performance of the UK and European stockmarkets and your Company's holdings.

## Review of Dividend Growth

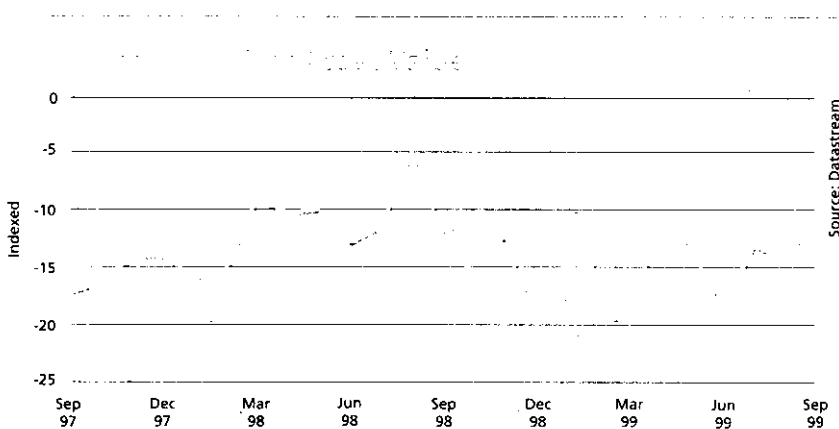
The strong capital growth of the stockmarket over the year was not matched by dividend growth. There are three main reasons for this. First, companies are continuing to look to return surplus funds to shareholders by alternative methods, such as share buy backs and special dividends. Secondly, the level of inflation is often a factor in determining dividends and hence low inflation has resulted in low levels of dividend growth, and thirdly, there has been a large increase in value of a number of companies, such as the telecommunication sector, which have little or no dividend yield.

In response to the first reason above it has been decided to alter your Company's charging structure so that management expenses are equally shared between revenue and capital. This will bring your Company's policy more in line with its peer group and will allow the investment manager greater flexibility in the management of the portfolio, and this should benefit performance.

#### Share Buy Back Programme

Following the Annual General Meeting in February 1999 and subsequent Court approval to reduce the share premium account to facilitate the buy back programme, 5,725,000 shares, or 9.7% of the issued share capital of the Company, have been purchased at an average discount of about 14%. The share buy back programme was financed entirely by selected sales and reductions across a large number of holdings. As anticipated, the purchases have had two effects for shareholders. First, net asset value per share has increased as a result of purchasing shares below their intrinsic worth. This is estimated to have added about 1.4% to net asset value per share. Secondly, the buy back programme has acted as an additional source of demand for your Company's shares and this has helped to reduce the discount to net asset value. Partly as a result of the purchases the discount reduced to 10.3% at the year end from 19% in January before the first buy back.

The movement of the share price relative to net asset value has been a very important feature for your Company over the last couple of years. At this year's Annual General Meeting the directors will again be seeking to renew shareholders' approval of a share buy back programme. If your approval is given, purchases will continue, provided that they add value for shareholders through enhancing net asset value. Shareholders should also note that a resolution was passed at last year's AGM which will allow shareholders to vote on the future of the Company in 2003. If a majority of shareholders choose to vote for a liquidation, the net proceeds of the Company's assets will be returned to them.



As was reported in last year's annual report, we have been generally cautious of the levels of investment markets and hence at no stage during the year was any long-term borrowing used.

## Annual General Meeting

This year's Annual General Meeting will be held on Wednesday, 9 February at 11.00 am. It will include a report on performance in the quarter to December 1999 and a presentation on investment policy by the Manager. I hope to welcome as many of you to the meeting as possible.

## Name Change

At the last AGM, shareholders approved the change of the Company's name to Foreign & Colonial PEP and ISA Investment Trust PLC. We welcome new shareholders who own shares in this Company within an ISA and will continue to ensure the Company remains fully qualified for PEP status.

## Michael Morley

It is with great sadness that I report the death of Michael Morley. He had been a director of your Company since 1993 and his thoughts and actions were very much concentrated on achieving the best result for shareholders. His energy, wisdom and counsel will be greatly missed.

## Prospects

Investment markets are currently volatile and there is considerable uncertainty as to their short-term direction. The economy has improved markedly over the year as growth has been stronger than initially expected. This and other signs, such as a strong housing market and wage growth, suggest interest rates are more likely to be increased than reduced over the course of the year. Competitive pressures for most industries are intense and this is reflected in the difficulty that companies have in maintaining any pricing power. The net result is that it is hard for many companies to make significant profit and dividend progress. As well as competition from existing operators, many industries also need to worry about the rapidly increasing use of the internet. For some this will be an opportunity, but for many more it may prove a threat as lower cost internet operators may be able to undercut existing companies.

Stockmarkets are valued at high levels by historic standards. This is particularly true of the American market, which remains one of the significant forces behind other stockmarkets. Much of the high valuation in the UK market can be attributed to a relatively small number of companies which have a large weighting within the index. The corollary of this is that there is a large number of shares which are much more attractively valued, and it is amongst these companies that we will continue to search for extra value.



Graham Ross Russell  
12 January 1999

# Market Reviews

## Review of the UK economy and stockmarket

The UK stockmarket rallied strongly from the start of last October to reach a new peak in July. The market started at a low level as it had been depressed by the crisis in emerging markets and the collapse of the LTCM hedge fund. A series of seven interest rate cuts in the UK helped to restore liquidity and confidence to the financial system. The cuts also helped the economy to avoid a recession and growth for the year has been stronger than originally expected. Inflation has remained at a low level throughout the year, but the emergence of deflation in many products is causing severe pressure for some businesses.

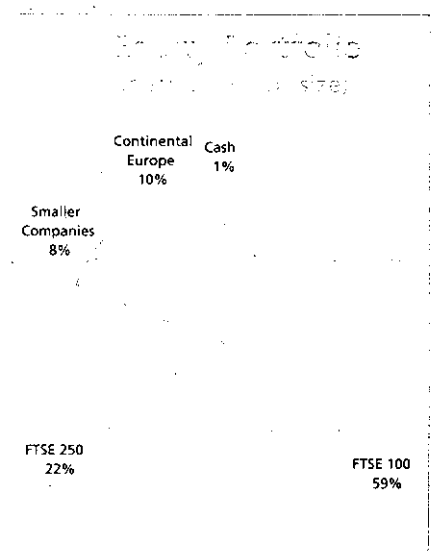
The FTSE All-Share Index has become dominated by four large sectors: banks, telecommunications, pharmaceuticals and oil and gas. Together these sectors account for more than 48% of the index by capitalisation, and therefore have a very substantial impact on the direction of the market. The market was very much driven by two of these large sectors, banks and telecommunications. The strength of the bank sector reflected a recovery from the financial crisis of September and telecommunications was a result of the surge in the share prices of the mobile telephone companies. Despite this, the second half of the year saw a marked shift in the market as smaller more cyclically exposed stocks rallied on the back of a strengthening economy.

## European markets

European markets performed well with a rise in the FT/S&P AWI-Europe Index, excluding the UK and adjusted to sterling, of 20.7%. However, most of these gains occurred between October and January as markets generally recovered from the sharp correction of September. As in the UK, there were cuts in domestic interest rates which gave support to the market; other positive factors were continuing major corporate activity and increasing cross-border investment with the arrival of the Euro.

## US portfolio

We remain generally of the opinion that there is more value for investors outside of the very largest companies in the market and amongst smaller and medium sized companies. Valuations of smaller companies are typically much lower and appear to be discounting an imminent recession, although the evidence points to a strengthening economy. The portfolio's most overweight positions are in engineering, chemicals and transport. The portfolio remains underweight in the bank sector, primarily as a result of only a small position in the converted building societies. Competition is fierce for new mortgages and deposits resulting in an unattractive outlook for these businesses. The other major underweight position is in telecommunications, where the portfolio only has a low exposure to mobile telephones. The portfolio overall is more diversified than its benchmark as it has a broader sector exposure and does not have almost half of its assets concentrated in just four sectors.



10% of the total portfolio remains invested in Continental Europe, where the economic outlook remains encouraging. Additional cross-border investment and further corporate activity that has resulted from the advent of the Euro is expected to continue as businesses seek to take advantage of new market opportunities. For these reasons, we will continue to keep 10% of the portfolio invested in Europe.

#### Successes and Failures

The largest single negative factor affecting performance of the portfolio was the telecommunications sector where we were underweight. Although there is rapid growth in the number of mobile telephone users, there is considerable competition amongst the licence holders which is evidenced by the large subsidies on new handsets and call price deflation. Overall, we consider current share prices for telecommunications companies more than discount the growth prospects without full consideration of the potential threats.

The most successful investments over the year were NFC, a logistics company, up 107%, Laird, an engineer, up 93% and Johnson Matthey, a chemical and precious metal company, up 85%. The common theme behind these companies is that valuations had reached very low levels and as other investors started to reassess the attractions of these smaller and more cyclical companies the shares were substantially re-rated.

#### Investment Strategy

We aim to invest in companies which have good long-term prospects for capital and dividend growth, but whose share prices are depressed by adverse short-term sentiment, either because of current difficulties, or simply because they are unfashionable. We try to estimate long-term growth rates and sustainable operating margins for companies and take relatively little account of short-term earnings forecasts. By taking a long-term approach to investment we believe we will be able to generate superior results over longer periods. All the companies held within the portfolio are regularly reviewed by our teams on the UK and European desks, and changes made as appropriate. This stock selection process is the main driver of the construction of the portfolio, subject to controls on the size of individual stock and sector weightings.

# Directors

Graham Ross Russell Chairman

Aged 66, Mr Ross Russell joined the Board in January 1993 and became Chairman in June 1993. He is Chairman of The Securities Institute and was formerly Chairman of EMAP plc.

Oliver Dawson

Aged 68, Mr Dawson retired from the Board of Foreign & Colonial Management in December 1995 and until October 1996 remained as a consultant to that company. He joined the Board in 1992 and is also a Director of Foreign & Colonial Investment Trust PLC and Foreign & Colonial Income Growth Investment Trust PLC. He is a Church Commissioner and is a member of both the investment advisory committee of the Nuffield Foundation and the consultative committee of the Cambridge University Council.

Peter Hardy

Aged 60, Mr Hardy is a Non-Executive Director of Kingfisher plc, Land Securities plc, Fairview Holdings plc, Howard de Walden Estates Limited and Barnardos. He was formerly a managing director, Investment Banking, of SG Warburg Group plc and was appointed to the Board in 1992.

Michael Morley, who was appointed to the Board in June 1993, also served as a director of the Company until his death in October 1999.

Members of the Audit Committee

*Peter Hardy* Chairman

*Graham Ross Russell*

# Management

Julian Cane Manager

He joined the Foreign & Colonial Group in 1993 after training with The Mitsubishi Bank and has been the manager since 1997. He is 30.

Robert Dowdall

Director of Finance at Foreign & Colonial Management Limited. He is 53 and joined the Group in 1990.

Nick Pitt-Lewis

Director of Compliance at Foreign & Colonial Management Limited. He is 46 and joined the Group in 1992.

Richard Vallance

Acts as company secretary on behalf of Foreign & Colonial Management Limited. He is 38 and joined the Group in 1988.

Secretary and Registered Office

Foreign & Colonial Management Limited, Exchange House, Primrose Street,  
London EC2A 2NY.

Regulated by the Investment Management Regulatory Organisation Limited (IMRO)  
and the Personal Investment Authority (PIA).

Registered in England.

Telephone: 020 7628 8000

Facsimile: 020 7628 8188

Website: [www.fandc.co.uk](http://www.fandc.co.uk)

email: [info@fandc.co.uk](mailto:info@fandc.co.uk)

Bankers

The Royal Bank of Scotland PLC, Chase Manhattan Bank NA.

Registrars

Computershare Services PLC, PO Box 435, Owen House, 8 Bankhead Crossway North,  
Edinburgh EH11 4BR. Telephone: 0870 702 0010.

Auditors

PricewaterhouseCoopers, Southwark Towers, 32 London Bridge Street, London SE1 9SY



*Member of The Association of  
Investment Trust Companies*

# Twenty Largest Equity Holdings

at 30 September 1999

	percentage of total investments
1 (2) BP AMOCO Major international integrated oil group. The merger with Amoco and proposed acquisition of Arco improve the balance of the group and further increase the potential for cost cutting.	4.3
2 (1) GLAXO WELLCOME This pharmaceutical company's large annual research and development expenditure has led to a wide range of new products coming on to the market.	3.6
3 (3) BRITISH TELECOMMUNICATIONS Long-term growth in demand for telecommunications should be boosted by falling prices, better marketing and a range of new services.	3.6
4 (-) VODAFONE AIRTOUCH Leading UK mobile telecommunication company experiencing strong growth in demand.	2.9
5 (5) SHELL TRANSPORT & TRADING Leading international oil exploration, production and marketing group, which has a renewed emphasis on improving returns.	2.7
6 (11) HSBC Conservatively managed, well-diversified bank operating in many developed and emerging markets around the world.	2.6
7 (8) NATIONAL WESTMINSTER BANK Of all the UK banks, National Westminster has the greatest scope to improve returns. This will either be done by its own management or by an acquiror.	2.5
8 (-) BARCLAYS BANK Retail and commercial bank that is well placed to reduce its own costs and to take part in industry consolidation. It is also the UK's leading internet bank.	2.1
9 (4) BG Gas pipeline, distribution and exploration and production business formed from the demerger of British Gas.	2.1
10 (-) ASTRAZENECA International pharmaceutical and agrochemical company with prospects underpinned by its new product pipeline. A possible participant in the global consolidation of the industry.	1.9
11 (-) NATIONAL POWER UK electricity generating company which has diversified overseas. The stockmarket is valuing the company very conservatively.	1.5
12 (-) TOMKINS Industrial conglomerate undergoing a demerger to realise shareholder value.	1.5



# List of Investments

31 December 1997

Investment	Holdings	Value £'000s	Investment	Holdings	Value £'000s
Aegis	600,000	750	Johnson Matthey	230,000	1,328
Alliance & Leicester	70,001	590	Kingfisher	90,000	586
Allied Domeq	360,000	1,247	Laird Group	173,000	526
Allied Zurich	112,000	799	Land Securities	140,000	1,145
Anglian Water	112,000	804	Legal & General	400,000	689
Arriva	41,923	149	Liberty International	76,675	363
Astrazeneca	75,000	1,910	Lloyds TSB	187,000	1,412
B.A.T Industries	240,000	1,250	London Insurance Market	700,000	987
BAA	140,000	861	Lonmin	80,000	512
Bank of Scotland	189,000	1,369	Lynx Group	200,000	216
Barclays Bank	120,000	2,140	Marks & Spencer	331,500	1,046
Bass	26,640	195	National Power	325,000	1,539
Bellway	195,000	571	National Westminster Bank	180,000	2,549
Bemrose	61,750	204	NFC	375,000	803
BG	610,000	2,129	Northern Foods	600,000	641
Black (Peter)	130,000	450	Nycomed Amersham	100,000	369
Blick	86,500	211	Peninsular & Oriental Steam Navigation	120,000	1,099
BP Amoco	400,000	4,436	Prudential	140,000	1,306
British Telecommunications	400,000	3,678	Railtrack	75,000	959
Brixton Estate	280,000	638	Reuters	130,000	891
BTP	125,000	475	Rio Tinto	65,000	684
Bullough	370,000	248	RMC	98,000	919
Bunzl	160,000	462	Roxboro Group	114,000	282
Cable & Wireless	160,000	1,058	Safeway	166,000	367
Cairn Energy	157,000	212	Sainsbury (J)	210,000	796
Cannons Group new	67,807	752	Scapa Group	218,400	318
Cannons Group	305,132		Scottish & Newcastle	70,000	422
Carlton Communications	187,500	862	Scottish & Southern Energy	123,618	700
CGU	120,000	1,125	Securitor	110,000	659
Close Brothers	81,999	609	Selfridges	85,000	216
CLS Holdings	271,816	394	Shell Transport & Trading	600,000	2,724
Computacenter	84,000	528	SIG	281,400	636
Croda International	200,000	601	Signet Group	1,400,000	697
De La Rue	160,000	510	Skills Group	143,000	335
Derwent Valley Holdings	95,000	560	Smith (David S)	175,000	280
Diageo	234,000	1,452	Smith (W.H.)	100,000	514
Elementis	750,000	765	SmithKline Beecham	115,000	803
EMI Group	198,000	879	Spirax-Sarco	73,500	386
FKI	220,000	419	Standard Chartered	86,400	759
Forth Ports Authority	71,000	378	Sun Life & Provincial	87,195	416
General Electric	210,000	1,224	T & S Stores	180,000	711
Glaxo Wellcome	235,000	3,722	Tarmac Group	110,000	479
Grampian Holdings	385,000	431	Thomson Travel Group	277,500	285
Granada Group	150,000	780	Tomkins	600,000	1,526
Great Universal Stores	100,000	458	Trinity Mirror	48,750	273
Greenalls Group	393,000	1,254	Unigate	130,000	403
Hazlewood Foods	300,000	350	Unilever	71,428	408
Hilton Group	250,000	528	United Utilities	174,857	1,162
HSBC	375,000	2,610	Vitec Group	83,000	490
Hyder	60,000	325	Vodafone Airtouch	209,000	3,005
Inchcape	61,666	205	Wagon	163,000	462
Informa Group	150,300	607	Wardle Storeys	90,000	300
Invensys	264,889	784	Wilson (Connolly)	255,000	379
			Wolseley	125,000	527
					11,267

Listed Investments	Holding	Value £'000s
Continental Europe		
Equities		
Denmark		
<b>Novo Nordisk</b>	<b>2,700</b>	<b>195</b>
Total Denmark		195
Finland		
<b>Nokia</b>	<b>9,600</b>	<b>522</b>
Total Finland		522
France		
<b>Accor</b>	<b>2,090</b>	<b>296</b>
<b>Compagnie de Saint-Gobain</b>	<b>3,150</b>	<b>357</b>
<b>Danone</b>	<b>1,550</b>	<b>229</b>
<b>Legrand 'preferred'</b>	<b>2,900</b>	<b>230</b>
<b>Michelin 'B'</b>	<b>5,675</b>	<b>163</b>
<b>Renault Regie Nationale</b>	<b>3,100</b>	<b>104</b>
<b>Rhone-Poulenc</b>	<b>8,400</b>	<b>264</b>
<b>Societe Generale</b>	<b>2,500</b>	<b>313</b>
<b>Total Fina 'B'</b>	<b>5,270</b>	<b>402</b>
Total France		2,358
Germany		
<b>BASF</b>	<b>3,900</b>	<b>101</b>
<b>Daimler Chrysler</b>	<b>4,430</b>	<b>184</b>
<b>Dresdner Bank</b>	<b>5,500</b>	<b>158</b>
<b>Hypo Vereinsbank</b>	<b>7,800</b>	<b>278</b>
<b>Mannesmann</b>	<b>4,300</b>	<b>409</b>
<b>Siemens</b>	<b>4,300</b>	<b>213</b>
<b>Thyssen Krupp</b>	<b>16,200</b>	<b>194</b>
<b>Veba</b>	<b>10,400</b>	<b>353</b>
Total Germany		1,890
Italy		
<b>Alleanza Assicurazion</b>	<b>5,643</b>	<b>35</b>
<b>San Paolo IMI</b>	<b>23,200</b>	<b>183</b>
Total Italy		218

Listed Investments	Holding	Value £'000s
Netherlands		
<b>Ahold</b>	<b>13,923</b>	<b>278</b>
<b>Akzo Nobel</b>	<b>9,200</b>	<b>238</b>
<b>Getronics</b>	<b>2,770</b>	<b>91</b>
<b>ING</b>	<b>9,400</b>	<b>310</b>
<b>Laurus</b>	<b>17,465</b>	<b>243</b>
<b>Philips Electronics</b>	<b>1,300</b>	<b>79</b>
<b>Royal Dutch Petroleum</b>	<b>11,000</b>	<b>388</b>
<b>Vendex</b>	<b>18,261</b>	<b>319</b>
<b>VNU</b>	<b>16,180</b>	<b>341</b>
Total Netherlands		2,287
Spain		
<b>Argentaria</b>	<b>31,500</b>	<b>421</b>
<b>Telefonica</b>	<b>40,392</b>	<b>393</b>
Total Spain		814
Sweden		
<b>Forenings Sparbanken 'A'</b>	<b>21,150</b>	<b>208</b>
Total Sweden		208
Switzerland		
<b>Nestle</b>	<b>160</b>	<b>183</b>
<b>Novartis</b>	<b>190</b>	<b>171</b>
<b>Roche Holdings part. certs.</b>	<b>45</b>	<b>316</b>
<b>Swisscom</b>	<b>730</b>	<b>138</b>
<b>UBS</b>	<b>2,075</b>	<b>355</b>
<b>Zurich Allied</b>	<b>790</b>	<b>268</b>
Total Switzerland		1,431
Total Continental Europe		9,923
<b>Total Investments</b>		<b>102,160</b>

*The total number of companies in the portfolio is 145 (1998: 156).*

*There are no convertible securities in the portfolio (1998: nil).*

# Report of the Directors

The directors present their report and the financial statements of the Company for the year ended 30 September 1999.

## Name of Company

At the sixth Annual General Meeting held on 10 February 1999, it was resolved that the name of the Company be changed from Foreign & Colonial PEP Investment Trust PLC to Foreign & Colonial PEP and ISA Investment Trust PLC. This change became effective on 16 February 1999.

## Status of Company

In connection with the implementation of the Company's share buy-back facility, approved at last year's Annual General Meeting, the Company revoked its investment company status on 11 May 1999. However, the Company continues to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988. The last accounting period for which the Company has been treated as approved by the Inland Revenue was for the year ended 30 September 1998.

Following a change in the law, which came into force on 8 November 1999, your Board is proposing, in due course, to re-register your Company as an investment company. The change in the law on investment company status which has taken place is explained in the circular which accompanies this Report and Accounts.

The Company is a "qualifying" investment trust under the Personal Equity Plan Regulations 1989, as amended. From 6 April 1999 the Company's shares became eligible for inclusion in an Individual Savings Account (ISA).

At the sixth Annual General Meeting held on 10 February 1999 a resolution was passed reducing the Company's share premium account by £34,000,000. Court approval was obtained on 17 March 1999 and the reduction became effective on 19 March 1999. At the same meeting the directors also obtained an authority to buy back shares in the Company. Pursuant to this authority, 5,725,000 ordinary shares with a nominal value of 25p each, equivalent to 9.7% of the issued share capital of the Company, were purchased for cancellation during the year under review. The prices paid for these shares ranged from 155p to 177p per share.

A review of the Company's activities is given in the Chairman's Statement on pages 2 to 4 and in the Market Reviews on pages 5 and 6.



The senior independent director of the Company, which does not have a chief executive officer, is Mr P B Hardy. All of the directors of the Company are resident in the UK and their biographical details, which are to be found on page 7, demonstrate the wide range of skills and experience which they bring to the Board. New appointees to the Board are given a preliminary briefing on the workings of the Company by the Chairman and by the manager, Mr J.M.S. Cane.

The Board is responsible for the effective stewardship of the Company's affairs. It also determines strategic issues and all operational matters of a material nature. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information. The Board meets quarterly and at each meeting reviews investment performance, considers financial reports and monitors compliance with the Company's objectives.

The Board has established a procedure whereby directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense. Notwithstanding the provision of the Company's articles of association that one third of the Board is subject to retirement by rotation each year, the Board complies with the more onerous Code Provision requiring directors to submit themselves for re-election at least every three years. At the forthcoming Annual General Meeting it is proposed that the articles of association be amended by making them consistent with this Code Provision.

The Board, which is small in size and is comprised solely of independent directors, operates without a Nominations Committee and believes that this is appropriate in these circumstances. Appointments of new directors are made on a formal basis with the Chairman agreeing selection criteria with his colleagues.

The exception referred to above concerned the Code Provision which requires that at the Annual General Meeting an indication be given of the proxy votes lodged on each resolution. The Board will comply with this requirement in the current year and in future years.

#### Internal Financial Control and Audit Committee

As permitted by the London Stock Exchange, the Company has complied with Code Provision D.2.1 (which requires that the directors should, at least annually, conduct a review of the effectiveness of the Company's systems of internal control and should report to shareholders that they have done so) on internal controls by reporting on internal financial control in accordance with the guidance for directors on internal control and financial reporting that was issued in December 1994.

The directors have overall responsibility for the Company's systems of internal financial controls. These aim to ensure that assets of the Company are safeguarded, that proper accounting records are maintained and that the financial information used within the business and for publication is reliable. The systems of internal financial controls are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has contractually delegated responsibility for management of the investment portfolio, the arrangement of custodial services and the provision of accounting and company secretarial services to the Manager. Details of the terms of its agreement with the Manager, as set out in note 3 on page 24, are reviewed periodically by the Company's Audit Committee.

The Manager has set out in a Statement of Internal Corporate Governance its control policies and procedures with respect to management of its clients' investments. The effectiveness of these controls is monitored by the Manager's group audit committee, which receives regular reports from the Manager's compliance and internal audit functions and the Statement contains an audit report from the Manager's external auditors.

The Audit Committee of the Company operates within written terms of reference clearly setting out its authority and duties. Mr P.B.Hardy and Mr G.Ross Russell, both of whom are independent, constitute the Committee. Its primary role is to review the Company's accounting policies, the contents of the interim and annual financial statements, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The Committee has direct access to the auditors, PricewaterhouseCoopers, to the compliance and internal audit directors of the Manager and, to the Manager's group audit committee.

The Company's Audit Committee has received and reviewed a report from the Manager's group audit committee on the effectiveness of the internal financial controls maintained on behalf of the Company, together with a copy of the Manager's Statement of Internal Corporate Governance.

By means of the procedures set out above the directors have reviewed the effectiveness of the internal financial control systems.

#### Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable.

#### Remuneration Committee

The Company has no employees or executive directors and consequently does not have a remuneration committee. Note 6 on the accounts provides detailed information on the remuneration arrangements for directors of the Company.

#### Investor Relations

Communications with shareholders are given a high priority. In addition to the information provided in the annual and interim accounts, more limited information in an updated form is available on the Foreign & Colonial website at [www.fandc.co.uk](http://www.fandc.co.uk). At the Annual General Meeting, all investors have the opportunity to question the Chairman and the Board.

## Year 2000

The principal risks faced by the Company in respect of Year 2000 compliance centre on the ability of the Manager to address and correct problems that may cause systems to function as they are not intended to as a result of Year 2000 issues. Accordingly, the Company does not itself face exposure to costs resulting from ensuring Year 2000 compliance. The Manager had, by 31 October 1999, completed its compliance programme. The Manager has confirmed to the Company that from July 1999 all changes by the Manager to services, systems and software have had to be approved by a committee appointed by the Manager, and that from 23 September 1999 no such changes will be sanctioned by the Manager until the end of January 2000.

## Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution re-appointing them and authorising the Directors to fix their remuneration will be submitted at the Annual General Meeting.

## Annual General Meeting

The Annual General Meeting of the Company will be held at Exchange House, Primrose Street, London EC2 on Wednesday, 9 February 2000. Details of the resolutions to be proposed at the Annual General Meeting are contained in the accompanying circular which also contains the Notice of Meeting.

## For Director of the Board

Foreign & Colonial Management Limited

Secretary

22 November 1999

Done and on behalf of

FOREIGN & COLONIAL MANAGEMENT LIMITED



SECRETARY



# Auditors' Report

To the Members of Foreign & Colonial PEP and ISA Investment Trust PLC

We have audited the financial statements on pages 20 to 30.

*Respective responsibilities of directors and auditors*

The directors are responsible for preparing the Annual Report, including as described on page 18 the financial statements.

Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and 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 information specified by law or the Listing Rules 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.

We review whether the statement on page 14 to 16 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

*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 affairs of the Company at 30 September 1999 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers  
Chartered Accountants and  
Registered Auditors  
23 November 1999

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

# Statement of Total Return

(incorporating the Revenue Account\*) for the year ended 30 September

Revenue notes	Capital notes		Revenue £'000s	Capital £'000s	1999 Total £'000s	Revenue £'000s	Capital £'000s	1998 Total £'000s
	9	Gains and losses on investments	-	16,258	16,258	-	(7,511)	(7,511)
	18	Exchange gains and losses on currency balances	(3)	2	(1)	-	(13)	(13)
2		Income	3,743	-	3,743	3,931	-	3,931
3		Management fees	(513)	-	(513)	(502)	-	(502)
4	18	Other expenses	(115)	(2)	(117)	(118)	(9)	(127)
		Net return before finance costs and taxation	3,112	16,258	19,370	3,311	(7,533)	(4,222)
5		Interest payable and similar charges	(2)	-	(2)	-	-	-
		Return on ordinary activities before taxation	3,110	16,258	19,368	3,311	(7,533)	(4,222)
7		Taxation on ordinary activities	(404)	-	(404)	(526)	-	(526)
		Return attributable to equity shareholders	2,706	16,258	18,964	2,785	(7,533)	(4,748)
		Dividends on ordinary shares (equity):						
		Interim of 1.85p (1998: 1.80p)	(1,008)	-	(1,008)	(1,063)	-	(1,063)
		Proposed final ordinary dividend of 2.95p (1998: 2.19p)	(1,293)	-	(1,293)	(1,293)	-	(1,293)
		Proposed final foreign income dividend of nil (1998: 0.66p)	-	-	-	(390)	-	(390)
18	18	Transfer to/(from) reserves	125	16,258	16,383	39	(7,533)	(7,494)
8	8	Transfer to ordinary share holders	4.7	28.35	33.12	4.72	(12.76)	(8.04)

\* 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.

# Balance Sheet

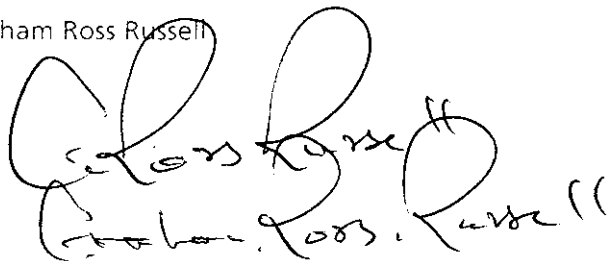
at 30 September

Notes		1999 £'000s	1998 £'000s
	Investments		
9	Listed in Great Britain	92,237	85,578
9	Listed outside Great Britain	9,923	8,957
		102,160	94,535
	Current assets		
10	Debtors	1,924	1,300
11	Taxation recoverable	47	379
	Cash at bank and short-term deposits	288	1,703
		2,259	3,382
	Current liabilities		
12	Creditors: amounts falling due within one year	(2,532)	(2,341)
	Net current (liabilities)/assets	(273)	1,041
13	Net assets	101,887	95,576
	Capital and reserves		
14	Called up equity share capital	13,326	14,757
15	Capital redemption reserve	1,431	-
16	Share premium	16,394	50,394
17	Special reserve	24,721	-
18	Capital reserves	45,453	29,195
18	Revenue reserve	562	1,230
		88,561	80,819
20	Total equity shareholders' funds	101,887	95,576
21	Net asset value per ordinary share - pence	191.14	161.91

Approved by the board on 23 November 1999



Graham Ross Russell





# Notes on the Accounts

## 1.1

The accounts have been prepared on the historical cost basis of accounting, modified to include fixed asset investments at valuation and in accordance with accounting standards applicable in the United Kingdom and with the Statement of Recommended Practice 'Financial Statements' of Investment Trust Companies (SORP).

During the year, as a technical consequence of the purchase of 5,225,000 of the Company's ordinary shares out of the special reserve (see note 17), the Company ceased to be an investment company within the meaning of S266, Companies Act 1985. However, the directors consider that in order to give a true and fair view the accounts have been prepared in accordance with the Statement of Recommended Practice 'Financial Statements' of Investment Trust Companies (SORP) as explained in note 19.

As an investment trust, the Company treats all transactions on the realisation and the revaluation of investments held as fixed assets as transactions on capital account. These items, whether profits or losses, are not part of and are not reflected in the revenue account but are charged or credited to capital reserves. Listed investments are shown at middle market value.

Foreign currency assets and liabilities are expressed in Sterling at rates of exchange ruling at the balance sheet date. Purchases and sales of investment securities, dividends and interest income and expenses are translated at rates of exchange prevailing on the respective dates of such transactions. Exchange profits and losses on currency balances are charged or credited to capital reserves except where they relate to revenue items.

Income from quoted equity shares is brought into the revenue account (except where, in the opinion of the directors, their nature indicates they should be recognised as capital) on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

Where the company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as income. Any difference in the value of the shares received compared with the amount of the cash dividend foregone is recognised in capital reserve.

Foreign income dividends are included in the revenue account without the related notional income tax credit.

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except those expenses incidental to the acquisition or disposal of investments which are charged through capital reserves.

Finance costs are accounted for on an accruals basis and are charged through the revenue account.

Deferred tax is provided in full on any material timing differences expected to crystallise in the foreseeable future.

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- other capital charges and credits charged or credited to this account in accordance with the above policies.

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

## 2 INCOME

	1999 £'000s	1998 £'000s
Income from investments		
<b>Franked dividends</b>	3,179	2,489
Foreign income dividends	293	1,015
Overseas dividends	191	197
Scrip dividends	9	-
UK unfranked dividends	-	147
	<b>3,672</b>	<b>3,848</b>
Other Income		
Interest on cash and short-term deposits	71	82
Underwriting commission	-	1
	<b>71</b>	<b>83</b>
<b>Total income</b>	<b>3,743</b>	<b>3,931</b>
Total income comprises:		
<b>Dividends</b>	<b>3,672</b>	<b>3,848</b>
Other income	71	83
	<b>3,743</b>	<b>3,931</b>
Income from investments:		
Listed UK	3,481	3,651
Listed overseas	191	197
	<b>3,672</b>	<b>3,848</b>

## 3 MANAGEMENT FEE

	1999 £'000s	1998 £'000s
Management fee	437	427
Irrecoverable VAT thereon	76	75
	<b>513</b>	<b>502</b>

The Manager provides investment management and general administrative services to the Company for a quarterly management fee payable in arrears equal to 0.1% of the funds under management. The management agreement may be terminated upon one years' notice given by either party.

## 4 OTHER EXPENSES

	1999 £'000s	1998 £'000s
Directors' emoluments:		
fees for services to the Company	35	39
General expenses	55	55
Irrecoverable VAT	9	8
Auditors' remuneration:		
for audit services	13	12
for other services	3	4
	<b>115</b>	<b>118</b>

## 5 INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000s	1998 £'000s
On bank loans and overdrafts repayable within 5 years, not by instalments	2	-

6 DIRECTORS' REMUNERATION AND CONTRACTS

(a) Remuneration

The Company had no employees during the year.

The amounts paid by the Company to the directors of the Company were as follows:

	1999 £	1998 £
Graham Ross Russell (Chairman)	12,500	11,500
Oliver Dawson	7,500	7,500
Peter Hardy	7,500	7,500
Michael Hart	-	5,000
Michael Morley	7,500	7,500
<b>Totals</b>	<b>35,000</b>	<b>39,000</b>

(b) Directors' interests in shares

The interests of the Directors in the ordinary shares of the Company were as follows:

	1999 Beneficial	1998 Beneficial
Oliver Dawson	-	-
Peter Hardy	77,716	67,032
Michael Morley	5,038	4,835
Graham Ross Russell	34,964	34,450

Since the Company's year end, Peter Hardy has acquired 32 ordinary shares through the Foreign & Colonial Personal Equity Plan.

(c) Directors' interests in contracts with the Company

No contract of significance to which the Company is a party and in which a Director is or was materially interested subsisted during the year.

(d) FINANCIAL STATEMENT OF ORDINARY ACTIVITIES

	1999 £'000s	1998 £'000s
Overseas taxation	26	28
Tax attributable to franked dividends	378	498
	404	526

(e) REVENUE RETURN PER EQUITY SHARE

Revenue return

The revenue return per share is based on the revenue return attributable to equity shareholders of £2,706,000 (1998: £2,785,000).

Capital return

The capital return per share is based on the capital return attributable to equity shareholders of £16,258,000 (1998: £7,533,000 loss).

Both the revenue and capital returns are based on a weighted average of 57,060,754 ordinary shares in issue during the year (1998: 59,030,891 ordinary shares).

	Listed in Great Britain		Listed outside Great Britain	Total
	£'000s	£'000s		
Cost at 1 October 1998	74,446	7,384		81,830
Unrealised appreciation at 1 October 1998	11,132	1,573		12,705
Valuation at 1 October 1998	85,578	8,957		94,535
Movements in the year:				
Purchases at cost	13,501	3,376		16,877
Sales - proceeds	(21,308)	(4,202)		(25,510)
realised net gains on sales	2,373	933		3,306
Increase in unrealised appreciation	12,093	859		12,952
Valuation at 30 September 1999	92,237	9,923		102,160
Cost at 30 September 1999	70,849	7,789		78,638
Unrealised appreciation at 30 September 1999	21,388	2,134		23,522
	92,237	9,923		102,160

	1999	1998
	£'000s	£'000s
Realised gains based on historical cost	5,441	4,805
Less: amounts recognised as unrealised in previous years	(2,135)	(3,827)
Realised gains based on carrying value at previous balance sheet date	3,306	978
Increase/(decrease) in unrealised appreciation	12,952	(8,489)
Change in unrealised appreciation	16,258	(7,511)

## DEBTORS

	1999	1998
	£'000s	£'000s
Investments debtors	1,347	598
Prepayments and accrued income	576	701
Other debtors	1	1
	1,924	1,300

## TAXATION RECOVERABLE

Taxation recoverable includes amounts recoverable from UK and overseas tax authorities.

## CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£'000s	£'000s
Investment creditors	206	183
Buy-back of ordinary shares	589	-
Proposed final dividends on ordinary shares	1,573	1,683
Advance corporation tax on proposed final ordinary dividend	-	323
Accruals	164	152
	2,532	2,341

	UK %	Europe %	1999 Total %	1998 Total %
Equities				
Services	27.7	2.5	30.2	29.8
Financials	20.1	2.5	22.6	22.7
General manufacturers	13.4	2.6	16.0	14.0
Consumer goods	13.3	1.1	14.4	16.1
Resources	8.4	-	8.4	-
Utilities	6.5	0.3	6.8	7.6
Information technology	1.1	-	1.1	-
Mineral extraction	-	0.8	0.8	8.7
<b>Total equities</b>	<b>90.5</b>	<b>9.6</b>	<b>100.1</b>	<b>98.9</b>
<b>Net current assets/(liabilities)</b>	<b>(0.7)</b>	<b>0.4</b>	<b>(0.3)</b>	<b>1.1</b>
<b>Total assets less current liabilities</b>	<b>89.8</b>	<b>10.2</b>	<b>100.0</b>	
<b>1998 totals</b>	<b>90.6</b>	<b>9.4</b>		<b>100.0</b>

	Number	Authorised Nominal £'000s	Issued, and fully paid Number	Nominal £'000s
Balance brought forward	100,000,000	25,000	88,005,891	14,787
Transferred to capital redemption reserve	-	-	5,725,000	(1,421)
Balance brought forward	100,000,000	25,000	88,305,891	13,325

	1999 £'000s	1998 £'000s
Balance brought forward	-	-
Transferred from equity share capital	1,421	-
	1,421	-

The capital redemption reserve has arisen following the purchase during the year-ended 30 September 1999 of 5,725,000 ordinary shares with a nominal value of 25p each.

	1999 £'000s	1998 £'000s
Balance brought forward	50,394	50,394
Transferred to special reserve	24,743	-
	75,137	50,394

	1999 £'000s	1998 £'000s
Transferred from share premium	24,743	-
Buy-back of 5,225,000 ordinary shares	(24,743)	-
	-	-

Following the approval of the Court, on 19 March 1999, £34,000,000 has been transferred from share premium to a special reserve which can be used to fund the purchase by the Company of its own ordinary shares.

	Capital reserve – realised £'000s	Capital reserve – unrealised £'000s	Capital reserves total £'000s	Revenue reserve £'000s
Realised gains and losses on investments	3,306	–	3,306	–
Transfers on disposal of investments	2,135	(2,135)	–	–
Exchange gains and losses on currency balances	2	–	2	–
Other capital charges and credits	(2)	–	(2)	–
Increase in unrealised appreciation on investments	–	12,952	12,952	–
Buy-back of 500,000 ordinary shares	–	–	–	(793)
Amount transferred to revenue reserve	–	–	–	125
<b>Balance brought forward</b>	<b>5,441</b>	<b>10,817</b>	<b>16,258</b>	<b>(668)</b>
	16,490	12,705	29,195	1,230
Balance carried forward	21,931	23,522	45,453	562

Included within the capital reserves movement for the year is £897,000 (1998: £655,000) of dividends recognised as capital.

#### 19 INVESTMENT COMPANY STATUS

During the year, the Company ceased to be an investment company within the meaning of Section 266 of the Companies Act 1985. However, it remains an investment trust for taxation purposes under Section 842 of the Income and Corporation Taxes Act 1988, and the Articles of the Company prohibit capital profits from being distributed by way of dividend. As such, the directors consider it appropriate to continue to present the accounts in accordance with the Statement of Recommended Practice 'Financial Statements' of Investment Trust Companies (SORP). Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes certain capital items which, since the Company is no longer an investment company, the Companies Act and/or FR53 would ordinarily require to be included in the profit and loss account: profits and losses on disposal of investments, calculated by reference to their previous carrying amount, of £3,306,000 (1998: £978,000); and exchange gains on capital items of £2,000 (1998: £9,000). In the opinion of the directors the inclusion of these items in the profit and loss account would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The directors therefore consider that these departures from the law and accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

#### 20 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	1999 £'000s	1998 £'000s
Revenue return attributable to equity shareholders	2,706	2,785
Capital return attributable to equity shareholders	16,258	(7,533)
Dividends	(2,581)	(2,746)
Buy-back of 5,725,000 ordinary shares out of revenue and special reserves	(10,072)	–
<b>Net increase/(decrease) in shareholders' funds</b>	<b>6,311</b>	<b>(7,494)</b>
<b>Total shareholders' funds brought forward</b>	<b>95,576</b>	<b>103,070</b>
<b>Total shareholders' funds carried forward</b>	<b>101,887</b>	<b>95,576</b>

#### 21 NET ASSET VALUE PER ORDINARY SHARE

Net asset value per ordinary share is based on total net assets of £101,887,000 (1998: £95,576,000) and on 53,305,891 (1998: 59,030,891) ordinary shares in issue at 30 September 1999.

#### 22 RECONCILIATION OF NET REVENUE RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £'000s	1998 £'000s
Net revenue before finance costs and taxation	3,110	3,311
Exchange profits and losses of a revenue nature	5	–
Decrease in accrued income	132	24
Increase/(decrease) in creditors	7	(6)
Tax on franked investment income included within income from UK companies	(378)	(498)
Scrip dividends	(9)	–
<b>Net cash inflow from operating activities</b>	<b>2,867</b>	<b>2,831</b>

	1999 £'000s	1998 £'000s
(Decrease)/increase in cash	(1,417)	862
Exchange movement	2	(13)
Movement in net funds during the year	(1,415)	849
Net funds brought forward	1,703	854
Net funds carried forward	288	1,703
Represented by:		
Cash at bank	288	1,703

## 24 FUND RISK PROFILE

The Company conducts its affairs so as to qualify as an investment trust under the provisions of Section 842 of the Income and Corporation Taxes Act 1988.

The Company's investment objective is to secure long-term capital and income growth from a portfolio consisting mainly of FTSE All-Share companies and leading European companies. The portfolio held throughout the year and at the year-end is in line with the Company's investment objective. Further information is contained in the Market Reviews on pages 5 and 6. The Company has the power to take out both short and long-term borrowings. No long-term borrowings were entered into during the year.

In pursuing its investment objectives, the Company faces risks to both assets and revenue. These risks, and the directors' approach to the management of the risks, are as follows:-

Risk	Management of Risk
Failure by counterparties to deliver securities which the Company has paid for, or to pay for securities which the Company has delivered.	All transactions are settled on the basis of delivery against payment.
Difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments.	The Company's investments are principally quoted equities and are readily realisable. The Company has the power to take out borrowings, both short and long-term, and in addition has an overdraft facility of £1 million.
The Company's assets consist principally of quoted equities, the values of which are determined by market forces.	The board reviews the risks inherent in the Company's portfolio by ensuring full and timely access to relevant information from the Manager. The board meets regularly and at each meeting reviews investment performance and financial results. It monitors compliance with the Company's objectives and is directly responsible for investment strategy, asset allocation and gearing.
Certain of the Company's assets and liabilities are denominated in currencies other than sterling. As a result movements in exchange rates may affect the sterling value of the portfolio, cash, investment purchases and sales and income.	Income denominated in foreign currencies is converted to sterling on receipt.

In the year to 30 September 1999 the Company did not make use of derivatives.

## Financial Assets

The interest rate profile of the Company's financial assets (excluding short-term debtors) at 30 September 1999 was:

Currency	Floating rate financial assets £'000s	Fixed rate financial assets £'000s	Weighted average interest rate %	Weighted average period for which rate is fixed
Sterling (undated)	85	-	-	-
European Union Currency (EUR) (undated)	201	-	-	-
Danish Kroner (DKK) (undated)	2	-	-	-
	288	-	-	-

## Financial Liabilities

Excluding short-term creditors, the Company had no financial liabilities at 30 September 1999.

## Net Monetary Assets

The profile of the Company's net monetary assets at 30 September 1999, by currency, was:

	DKK £'000s	EUR £'000s	Total £'000s
	2	201	203

The directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet.

# Historical Record

## ASSETS

ended 30 September

£'000s	1993	1994	1995	1996 <sup>†</sup>	1997	1998	1999
Net assets	46,666	62,731	73,676	84,441	103,070	95,576	101,887
Net asset value per share	116.9p	117.6p	129.6p	143.1p	174.6p	161.9p	191.1p
Mid-Market price per share	117.5p	119.5p	136.5p	146.0p	145.0p	143.0p	171.5p
(Premium)/discount to net asset value — %	(0.5)	(1.6)	(5.3)	(2.0)	17.0	11.7	10.3

ended 30 September

£'000s	1993	1994	1995	1996 <sup>†</sup>	1997	1998	1999
Total revenue	2,169	2,716	3,423	3,877	3,945	3,931	3,742
Interest payable	74	1	1	—	2	—	2
Expenses	232	352	419	486	555	620	631
Net revenue before taxation	1,863	2,363	3,003	3,391	3,388	3,311	3,110
Taxation	489	526	628	678	684	526	404
Available for ordinary shareholders	1,374	1,837	2,375	2,713	2,704	2,785	2,706
Earnings per share - pence	4.32p	3.88p	4.29p	4.67p	4.58p	4.72p	4.74p
Dividends per share - pence	3.40p	3.50p	3.85p	4.15p	4.50p	4.65p*	4.80p

## PERFORMANCE

ended 30 September

£'000s	1993	1994	1995	1996 <sup>†</sup>	1997	1998	1999
Pence	23.50	15.36	15.70	16.42	35.06	(8.04)	33.23
Percentage <sup>§</sup>	24.10	13.14	13.35	12.67	24.51	(4.60)	20.32

<sup>†</sup> The accounts for 1996 were restated.

\* Includes foreign income dividend of 0.66p.

<sup>§</sup> Percentage of net assets per share at beginning of year.

# Funds Managed by the Hypo Foreign & Colonial Group

## INVESTMENT TRUSTS

Foreign & Colonial Investment Trust PLC  
Foreign & Colonial Eurotrust PLC  
Foreign & Colonial Pacific Investment Trust PLC  
Foreign & Colonial Smaller Companies PLC  
Foreign & Colonial Enterprise Trust PLC  
Foreign & Colonial Special Utilities Investment Trust PLC  
Foreign & Colonial Emerging Markets Investment Trust PLC  
Foreign & Colonial U.S. Smaller Companies PLC  
Foreign & Colonial Income Growth Investment Trust PLC  
Foreign & Colonial PEP and ISA Investment Trust PLC  
F&C Latin American Investment Trust PLC

CONTACT: BROKER SUPPORT SERVICES ON 020 7454 1434

## For details on investment trust products:

Private Investor Plan – regular or lump sum savings  
Personal Equity Plan – transfers only†  
Individual Savings Account – tax-efficient savings\*  
Pensions Savings Plan – saving for retirement

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## PRIVATE INVESTOR OFFSHORE FUNDS

Foreign & Colonial Portfolios Fund SICAV  
Foreign & Colonial Reserve Asset Fund Ltd\*\*  
HYPO Capital Management Investmentgesellschaft  
Luxembourg S.A.

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Brazilian Investment Company SICAV  
Colombian Investment Company SICAV\*\*  
Global Emerging Markets Investment Company SICAV  
Indian Investment Company SICAV\*\*  
Mexican Investment Company SICAV  
Peruvian Investment Company SICAV\*\*  
Polish Investment Company SICAV\*\*  
Russian Investment Company SICAV\*\*  
Taiwan Investment Company SICAV\*\*

CONTACT: BROKER SUPPORT SERVICES DEPARTMENT ON 020 7454 1434

## DUBLIN REGISTERED FUNDS

The Foreign & Colonial Emerging Middle East Fund, Inc.\*\*

CONTACT: BROKER SUPPORT SERVICES DEPARTMENT ON 020 7454 1434

## DUBLIN REGISTERED FUNDS

Foreign & Colonial Emerging High Yield  
Investment Company plc\*\*  
Foreign & Colonial Romanian Investment Company plc\*\*  
Latin American Extra Yield Fund\*\*

CONTACT: FCEM MARKETING DEPARTMENT ON 020 7628 1234

## PENSION FUNDS

Balanced and specialist investment services are provided for a wide range of institutional pension funds.

CONTACT: TIM WATSON ON 020 7628 8000

## AUTHORISED UNIT TRUSTS

Foreign & Colonial European Smaller Companies Fund  
Foreign & Colonial High Income Fund  
Foreign & Colonial Japanese Smaller Companies Fund  
Foreign & Colonial UK Smaller Companies Fund  
Foreign & Colonial U.S. Smaller Companies Fund

CONTACT: BROKER SUPPORT ON 020 7454 1434

## AUTHORISED EXEMPT FUNDS

Foreign & Colonial Anglo-Nippon Exempt Fund  
Foreign & Colonial European Exempt Fund  
Foreign & Colonial North American Exempt Fund  
Foreign & Colonial Overseas Bond Exempt Fund  
Foreign & Colonial South East Asia Exempt Fund  
Foreign & Colonial UK Bond Exempt Fund

CONTACT: TIM WATSON ON 020 7628 8000

## UNAUTHORISED EXEMPT FUNDS

Foreign & Colonial Emerging Markets Ex Pacific-Asia  
Exempt Fund  
Foreign & Colonial Latin American Exempt Fund

CONTACT: TIM WATSON ON 020 7628 8000

## PRIVATE EQUITY FUNDS

Foreign & Colonial Ventures manages or advises six funds concentrating on unquoted investments including one of the investment trusts above.

CONTACT: JAMES NELSON ON 020 7628 8000

## CHARITY FUNDS

A comprehensive management service is available for larger charities.

CONTACT: TIM WATSON ON 020 7628 8000

\* All Foreign & Colonial investment trusts (except Foreign & Colonial Private Equity Trust PLC) and the Foreign & Colonial High Income Fund are available through a Foreign & Colonial ISA. PEPs are no longer available for new subscriptions, however, you can still continue to hold investments in any existing PEPs and transfer investments† from one manager to another, subject to Inland Revenue requirements.

\*\*Professional investors only.

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