THE MONKS INVESTMENT TRUST PLC

ANNUAL REPORT AND ACCOUNTS
1991

Directors
M Hamilton *Chairman*
Sir Dermot de Trafford, Bt · Sir Roderick MacLeod
CKR Nunneley · CFE Shakerley

Managers and Secretaries
Baillie Gifford & Co · 10 Glenfinlas Street · Edinburgh EH3 6YY
Telephone 031 225 2581

Registered Office
The Royal Bank of Scotland plc · 29 Gresham Street · London EC2V 7HN

Registrars
The Royal Bank of Scotland plc
PO Box 435 · Owen House · 8 Bankhead Crossway North · Edinburgh EH11 4BR
Telephone 031 442 4111

Bankers
The Royal Bank of Scotland plc · Morgan Guaranty Trust Company of New York
The Fuji Bank, Ltd

Auditors
Coopers & Lybrand Deloitte · Chartered Accountants · Erskine House
68-73 Queen Street · Edinburgh EH2 4NH

The Company is a member of The Association of Investment Trust Companies of which it was one of the founder members in 1932.

THE MONKS INVESTMENT TRUST PLC

CONTENTS

About the Company

The objective of the Company is to invest internationally in order to achieve capital growth. It is our expectation that good growth of income should follow success in the capital account.

We are prepared to move freely between markets as opportunities for growth vary. Our portfolio is concentrated in a relatively small number of holdings, mainly of quoted securities.

As an investment trust company we offer long term professional investment management for individuals and institutions, freedom from capital gains tax on profits realised within the portfolio, the use of gearing to maximise opportunities for capital growth, low costs and simple dealing arrangements.

The Baillie Gifford Investment Trust Savings Scheme has been established for the investment trusts managed by Baillie Gifford & Co. The scheme enables current shareholders and others to invest in Monks by making occasional payments (minimum £250), or regular payments (minimum £30 per month or £90 per quarter) or by reinvesting dividends (minimum £15). Details of the scheme may be obtained from the Investment Trust Department at Baillie Gifford & Co.

GROWTH 1981 to 1991

Directors and Management

DIRECTORS

Michael Hamilton, Chairman

M HAMILTON, *Chairman.*
Michael Hamilton, who is 65, was appointed a director in 1967 and became chairman in 1975. He is a former senior partner of Taylor Joynson Garrett, solicitors, and a deputy chairman of the Clerical, Medical and General Life Assurance Society.

SIR DERMOT de TRAFFORD, Bt, VRD.
Dermot de Trafford is chairman of The Institute of Directors and is a former chairman of Low and Bonar PLC. He is 66 and was appointed a director of the company in 1965.

SIR RODERICK MACLEOD. Roderick MacLeod was appointed a director in 1983 and is aged 61. He is chairman and chief executive of Lloyd's Register of Shipping.

CKR NUNNELEY. Charles Nunneley is 55 and was appointed a director in 1977. He is chairman of Save & Prosper Group Limited and is deputy chairman of Robert Fleming Holdings Ltd. He is also a deputy chairman of the Clerical, Medical and General Life Assurance Society.

CFE SHAKERLEY. Tim Shakerley, who is 56, is chairman of Provincial Group PLC and a former director of The Royal Bank of Scotland Group. He became a director of the company in 1984.

MANAGERS AND SECRETARIES

The firm of BAILLIE GIFFORD & Co was formed in 1927 out of the legal firm of Baillie & Gifford, WS, which had been involved in investment management since 1909. It is an independent investment management firm with 16 partners and a staff of 116 operating largely from Edinburgh, but with a small office in London.

Baillie Gifford & Co acts as Managers and Secretaries to five other listed investment trust companies, twelve authorised unit trusts and one unauthorised unit trust. It also manages investment portfolios for pension funds, charities and other institutional clients. Included in these are international funds managed on behalf of Japanese and American clients. Funds under the management of Baillie Gifford & Co are around £3,800 million.

Baillie Gifford & Co is a member of IMRO.

Chairman's Statement

HIGHLIGHTS

	1991	1990	% change
TOTAL ASSETS	£350·0m	£337·3m	+ 4%
Debentures	£40·0m	£40·0m	
Total net assets	£310·0m	£297·3m	+ 4%
Asset value per ordinary share*	399·5p	383·2p	+ 4%
Revenue before taxation	£8·1m	£7·0m	+ 16%
Earnings per ordinary share	7·48p	6·51p	+ 15%
Dividends per ordinary share	6·70p	6·00p	+ 12%

*after deducting prior charges at par

The Company's year to 30th April 1991 was a volatile one for equity markets, most of which fell sharply following the invasion of Kuwait by Iraq but made substantial recoveries with the success of the Allied military campaign. There were wide differences in the results of markets around the world and sharp movements in currencies. In the circumstances, we made reasonable progress on both capital and income accounts.

Capital Growth

During the year under review, net asset value per share rose by 4·3% from 383·2p to 399·5p, the highest year-end valuation we have achieved. This increase slightly exceeded that of 1·9% in the F.T. World Index. The best of the major equity markets over the period was the UK (+15·3%), followed by the USA (+7·9%). The Japanese index fell slightly and Continental Europe was particularly disappointing, with Germany down by 17·4% and France by 19·1% (all figures expressed in sterling terms).

Revenue and Dividend Growth

Earnings per share continued the strong progress of recent years with an increase of 15·0% from 6·51p to 7·48p per share. The Board is recommending a final dividend of 4·70p to make a total for the year of 6·70p, 12% above the previous year's total of 6·00p and 158% above the level of 5 years ago.

Distribution of Portfolio

The proportion of assets in UK equities and convertibles rose towards the upper end of its range in recent years as a result both of net purchases and of relative market movements. Though we were net buyers in Continental Europe, the stake there fell because of market movements; within the European portfolio, the biggest component continues to be Germany. We were net sellers in the USA, reducing the stake to the lowest level for many years. We added to the Far East, keeping Japan at a low level but building up South East Asia.

The distribution of the portfolio is shown on page 6 and a discussion of the individual markets is to be found in the Managers' Portfolio Review on pages 9 to 15.

Investment Trusts

In recent Reports I have commented on the wider publicity being received by investment trusts, partly through the efforts of the Association of Investment Trust Companies. Evidence of the success of this is to be found in the heartening increase in the number of Monks shareholders, up by 30% over the year. Details of the Baillie Gifford Savings Scheme, through which shares in Monks can be bought free of any commission, are to be found on page 2.

We believe that the international diversification of Monks enables it to maximise the advantages

Chairman's Statement

CONTINUED

of the investment trust structure for the long term private investor. A statement of our policy and a chart of our 10 year performance are also to be found on page 2.

Outlook

The most disruptive event of the year for stock markets was the invasion of Kuwait, though this now seems unlikely to have lasting economic significance and some major markets have subsequently recovered their losses. Among the strongest has been the UK, which had become cheaply rated in 1990, and where there have been some favourable developments: retail price inflation is falling, base rate has been reduced, and the trade deficit has narrowed. We expect these trends to continue over the course of 1991, but the economy is unlikely to recover quickly or strongly, and the outlook for profits and dividends is not bright. We are happy with our UK holdings, which are in relatively recession resistant companies, but do not expect to make material additions following the rise in the market.

The most intriguing question in foreign markets is the development of Eastern Europe, and German reunification in particular. In recent months the short term problems of Germany, principally the collapse of the old manufacturing industry in the East, have received more attention from markets than the longer term opportunities. We are impressed by German confidence and expect this balance to change as the beginnings of economic recovery emerge in the eastern Laender in 1992. A strong German economy is a plus for its neighbours, but their position is complicated by having to accept through the workings of the Exchange Rate Mechanism monetary policies which are appropriate to the peculiar circumstances of Germany but not necessarily to their own.

In the USA the economy has been in recession since last summer, and it is difficult to see what will lead recovery; the stock market has been strong and looks expensive. Japan continues to suffer from the unwinding of the great financial boom of the late 1980's. Although the market is over a third below the peak of 18 months ago we are not yet tempted to rebuild our stake. We prefer the smaller markets of South East Asia, whose dynamic and competitive economies are benefiting from ties to an undervalued US dollar.

Most of the economies in which we are invested are either in recession or slowing down. Prospects for economic activity and hence for company profits over the next year are not strong. Bond yields, real as well as nominal, are high and central banks are likely to be slow to ease monetary policy. This is not a bright background for stock markets, but we have tried to focus on areas where we can see growth or on companies which offer sound defensive values even in difficult trading conditions.

Michael Hamilton

MICHAEL HAMILTON
6th June 1991

Distribution of Portfolio

GEOGRAPHICAL

1991 (1990)

UK
36·7% (28·9%)

North America
15·1% (22·7%)

Net Liquid assets
6·9% (5·7%)

Europe
24·5% (26·9%)

Pacific
13·7% (12·5%)

Japan
3·1% (3·3%)

SECTOR

1991 (1990)

Consumer goods
28·9% (29·2%)

Capital goods
19·5% (20·7%)

Other groups
28·0% (26·6%)

Net Liquid assets
6·9% (5·7%)

Financial
16·7% (17·8%)

Classification of Investments

Classification	UK	North America	Europe	Japan	Pacific	Total	Total 1990
	%	%	%	%	%	%	%
EQUITIES: (including convertibles)							
CAPITAL GOODS	4·9	–	13·1	0·9	0·6	19·5	20·7
Building and construction	3·8	–	1·9	0·2	0·6	6·5	7·0
Heavy electrical and engineering	–	–	5·8	0·7	–	6·5	7·1
Miscellaneous	1·1	–	5·4	–	–	6·5	6·6
CONSUMER GOODS	16·8	3·4	7·3	0·7	0·7	28·9	29·2
Light electrical	–	–	–	0·4	–	0·4	0·6
Motors and distributors	–	–	1·0	–	–	1·0	3·1
Breweries and distilleries	2·8	–	–	–	–	2·8	1·6
Hotels and leisure	1·6	–	–	–	–	1·6	0·4
Healthcare	0·8	0·6	1·9	–	–	3·3	5·4
Printing, publishing and advertising	3·7	–	1·1	–	–	4·8	3·6
Retail trade	7·0	1·1	2·4	0·3	0·4	11·2	11·7
Tobacco	0·9	1·7	–	–	0·3	2·9	2·3
Miscellaneous	–	–	0·9	–	–	0·9	0·5
OTHER GROUPS	8·9	10·8	1·8	1·0	5·5	28·0	26·6
Chemicals	–	–	–	–	–	–	2·0
Oil and gas	4·4	4·9	–	–	–	9·3	8·0
Oil service	–	5·5	–	–	–	5·5	6·5
Office equipment and electronics	2·8	0·4	–	0·4	–	3·6	4·0
Utilities	–	–	1·0	–	1·6	2·6	0·6
Miscellaneous	1·7	–	0·8	0·6	3·9	7·0	5·5
FINANCIAL	6·1	0·9	2·3	0·5	6·9	16·7	17·8
Banks	2·0	0·9	0·7	–	0·8	4·4	4·0
Insurance: Life	1·8	–	–	–	–	1·8	1·4
Composite	0·7	–	–	0·5	–	1·2	2·0
Brokers	0·4	–	–	–	–	0·4	–
Land and property	1·2	–	0·5	–	–	1·7	6·1
Other financial	–	–	1·1	–	6·1	7·2	4·3
TOTAL EQUITIES (incl. convertibles)	36·7	15·1	24·5	3·1	13·7	93·1	
Total equities 1990 (incl. convertibles)	28·9	22·7	26·9	3·3	12·5		94·3
NET LIQUID ASSETS	6·4	0·4	0·1	–	–	6·9	5·7
TOTAL NET ASSETS (before deduction of prior charges)	43·1	15·5	24·6	3·1	13·7	100·0	
Total net assets – 1990	29·9	25·8	27·7	3·3	13·3		100·0
PRIOR CHARGES	(11·4)	–	–	–	–	(11·4)	(11·9)
NET ASSETS AVAILABLE FOR EQUITY	31·7	15·5	24·6	3·1	13·7	88·6	
Net assets – 1990	18·0	25·8	27·7	3·3	13·3		88·1
Number of equity investments (including convertibles)	44	15	34	10	12	115	121

Largest Holdings

Name	Description	Market value £'000	% of net assets
BG Pacific	Unit trust	19,504	5·6
Schlumberger	Oil service	11,479	3·3
British Petroleum	International oil company	8,794	2·5
Halliburton	Oil service	7,823	2·2
Unocal	Integrated oil company	7,567	2·2
Shell Transport & Trading	International oil company	6,589	1·9
Wilson Connolly	Housebuilder	5,910	1·7
Philip Morris	Tobacco, food and beer	5,808	1·7
Hanson	Industrial holding company	5,713	1·6
Guinness	Brewing and distilling	5,541	1·6
News Corp. Cayman	Converts into Pearson (industrial holding company)	5,327	1·5
J. Sainsbury	Food retailer	5,210	1·5
Hutchison Whampoa	Property and industrial conglomerate	4,932	1·4
Tesco	Food retailer	4,910	1·4
SASIB	Packaging and railway equipment	4,413	1·3
Alcatel Alsthom	Electricals and telecommunications	4,340	1·2
Grand Metropolitan	Spirits and food	4,337	1·2
Siemens	Electricals and telecommunications	4,185	1·2
Wm. Morrison	Food retailer	4,038	1·2
Amerada Hess	Integrated oil company	3,987	1·1
United Newspapers	Converts into Reuters (information technology)	3,944	1·1
Dillard Department Stores	Department stores	3,937	1·1
Castorama Dubois	DIY stores	3,935	1·1
Hoesch	Steel and heavy capital goods	3,901	1·1
Prudential Corporation	Life assurance	3,744	1·1
Elsevier	Specialist publishing	3,693	1·1
Lloyds Bank	Banking	3,685	1·1
Brown Boveri	Electricals and telecommunications	3,625	1·0
Syarikat Telekom Malaysia	Telephone utility	3,619	1·0
Daimler-Benz	Motors	3,542	1·0
		168,032	48·0

INVESTMENT CHANGES (£'000)

	Valuation 30th April 1990	Net purchases (net sales)	Appreciation (depreciation)	Valuation at 30th April 1991
Equities (incl. convertibles):				
UK	97,566	9,901	20,681	128,148
UK Gilt	–	(2,052)	2,052	–
North America	76,558	(25,703)	2,130	52,985
Europe	90,692	4,805	(9,722)	85,775
Japan	11,265	875	(1,331)	10,809
Pacific	42,193	3,986	1,833	48,012
	318,274	(8,188)	15,643	325,729
NET LIQUID ASSETS	19,046	5,209	–	24,255
TOTAL ASSETS	337,320	(2,979)	15,643	349,984

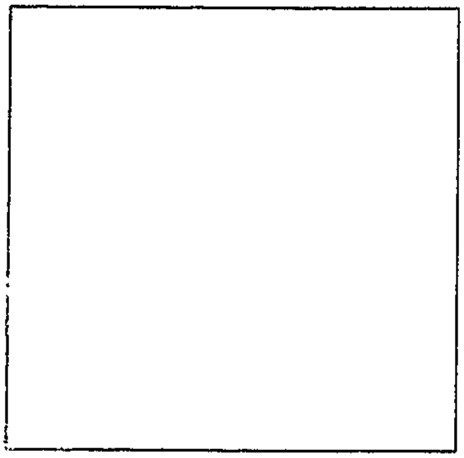
The figures above for Total Assets are made up of "Total assets less current liabilities" as shown in the Balance Sheet.

Managers' Portfolio Review

United Kingdom

The year to 30th April 1991 saw the UK stock market rise by 15·3% to close within 3% of its all time high. Our equity portfolio did significantly better than this while the convertible content produced a positive, albeit lower, return. After a weak first half when high interest rates and recession dominated sentiment there was a strong rally in the second six months in anticipation of lower interest rates and a successful conclusion to the Gulf conflict. During the period we added £10m to our UK holdings, with the bulk of this being invested in November when anxiety about the Gulf had left the market looking particularly cheap. At the year end the Company had 36·7% of its assets invested in the UK (up from 28·9% a year earlier) of which 9·9% was in convertibles.

We started the year with a very cautious view of the outlook for both the economy and the stock market. Inflation did not reach a peak until September, by which time the economy was clearly in recession and disappointing corporate announcements were the norm. The invasion of Kuwait by Iraqi forces on 2nd August added a major international uncertainty threatening the world economy with higher energy costs, lower growth prospects and political instability. The already fragile confidence of UK investors was badly hit and it was only after the peak in inflation, sterling's entry into the ERM and the first of several interest rate reductions that sentiment could improve. At this point the UK market's apparent cheapness relative to long term valuation measures encouraged a more positive view.



Fast Food at Burger King, part of Grand Metropolitan

Throughout the period we continued to concentrate our investment in strong businesses with good cash flows, solid balance sheets and good market positions. This protected our portfolio from the worst effects of an increasingly difficult trading environment. We particularly favoured the food retail sector, which accounted for 11·3% of our UK holdings at the year end and which produced our two best performing shares, William Morrison and Tesco. Our large holding in the building related sector also performed well in anticipation of lower interest rates and an eventual recovery in housing activity and represented 9% of the UK portfolio at the year end. It is particularly gratifying to note the good gains made by the shares of Glaxo and Lloyds Bank which represented the fund's two largest UK holdings at the start of the year. Both were reduced substantially when we believed that their good prospects were well recognised in valuations. Sales included Bass, Smith and Nephew and Royal Insurance which all produced disappointing results and Lloyds Abbey Life, Raine Industries and the water package where we believed that the market was taking too optimistic a view of prospects. We bought a number of new holdings, several in medium sized businesses with strong market positions and very clear growth opportunities such as Electrocomponents, St Ives, Dunhill and Persimmon. Among larger groups we acquired new holdings in Willis Corroon, Guinness, Legal and General, Barclays, Hanson and Ladbroke.

We remain somewhat cautious of the prospects for a significant recovery in economic activity despite the improved outlook for inflation and interest rates. We believe that ERM membership will entail a period of slower growth and lower profitability for British companies and we intend to continue the portfolio's current concentration on strong companies with clear long term organic growth prospects. While the recent rise in the market has removed the more obvious cheapness of UK equities we do believe that good value exists despite the short term economic and political uncertainties.

30th April 1991	£'000	% of fund
Equity investments	128,148	36·7
Net liquid assets	22,498	6·4
Total	150,646	43·1
Borrowings	(40,000)	(11·4)
Net assets available for equity	110,646	31·7

Managers' Portfolio Review

CONTINUED

North America

Wachovia Corporation's headquarters in North Carolina

At the end of the year the value of the American equity portfolio was £53m (15·1% of assets) compared with £77m (22·7% of assets) on 30th April 1990. The reduction in value largely reflects sales of holdings, many of which were made in the first half of the year following a period of strength in the market. At that time prospects appeared to be poor after the invasion of Kuwait by Iraq and a sharp rise in the price of oil.

The economy in the United States has been in recession since July 1990. There were marked falls in economic activity in the last quarter of last year and in the first quarter of 1991. Consumer confidence deteriorated rapidly following the Iraqi invasion. This was reflected in a considerable reduction in demand, particularly for the products of the important automobile industry. Since the end of the war in the Middle East consumer confidence has improved, but it is still at a comparatively low level. The number of people unemployed has risen by almost 1·2 million since September and there have been sharp falls in disposable personal income. In addition, the savings ratio is low and the level of indebtedness throughout the economy is high. In recent months the Federal Reserve Board has lowered the rate of interest in order to stimulate the economy, but we do not expect a resumption of growth until the third quarter of 1991 at the earliest. When growth is resumed, it is likely to be at a gradual pace.

All the reduction in the United States took place outwith the oil sector. As a result the oil holdings now represent two-thirds of the portfolio. The heavy weighting in oil and oil-service companies reflects our belief that the US stockmarket offers the best opportunities for investment in this international industry, which we expect to benefit from a gradual improvement in the balance of capacity and demand. Because of relative weakness in oil holdings in the second half the portfolio underperformed the index over the year. There are only four significant holdings in the rest of the portfolio, namely Bristol-Myers Squibb, a leading pharmaceutical, cosmetics and toiletries company; Dillard Department Stores, which is growing at a fast pace in Southern Texas and the Middle West; Philip Morris, which has an outstanding position in the cigarette and packaged foods market; and Wachovia, a strong bank in the Southeast. We are concerned that the US stockmarket is expensively rated, while a strong recovery in the economy looks unlikely.

30th April 1991	£'000	% of fund
Equity investments	52,985	15·1
Net liquid assets	1,368	0·4
Total	54,353	15·5

American foods from Philip Morris

Managers' Portfolio Review

CONTINUED

Europe

Fashion clothing from Escada

It has been another volatile year for European markets. After an initial period of continued excitement over the prospects for a united Germany, continental equities first faltered under the pressure of a deteriorating international economic environment and then succumbed to the uncertainties of the Gulf crisis. The successful resolution of the Middle Eastern war has restored some confidence to the bourses but the FT Europe (ex UK) Index has ended the year with a fall of 14·7% in sterling terms. Our own portfolio performed better than this index.

Within Europe the debate over the terms and consequences of German reunification has been the dominant theme of the last twelve months. Attention has tended to focus on the inevitable transitional problems of the east German Laender rather than on the booming western German economy. GNP growth of 4·5% in 1990 appears to have benefited by fully 1·5% through the boost given to the economy by east German demand. We expect this continuing stimulus will lead to growth of over 3% in 1991. In 1992 we would anticipate that there will be a marked recovery in the east leading to further growth in the western economy. With inflation (2·8%) still low we think that the gloom concerning German reunification is somewhat exaggerated. We have decided to maintain the basic shape of our German portfolio with its emphasis on the capital goods stocks which seem to be the natural beneficiaries of a prolonged period of growth in the German economy.

Outside Germany the pace of economic growth and political change has been comparatively pedestrian over the last twelve months. The French, Italian, Scandinavian and Swiss economies have stumbled as the pressure of international recession has combined with strong currencies and relatively high interest rates to provoke a slowdown despite the stimulus of German demand which has enabled Belgium, Holland, Spain and the Netherlands to continue to grow steadily. In France we are confident that the fundamental health of the economy, with its low inflation and its stress on continuing industrial investment, will prevent a serious downturn. We have purchased a holding

Computerised telephone switching systems from Siemens

Managers' Portfolio Review

CONTINUED

Europe (continued)

A Siemens transformer for an American electric utility

in the food company IDIA as further evidence of our confidence in the prospects for the French consumer sector.

Over the next year we anticipate that the environment for Swedish, Swiss and Italian equities will improve. As we have noted all these economies have suffered in the last year. In the Swedish case the recession that we anticipated has occurred and is still deep but there are encouraging signs that a move towards liberalised economic management is starting to take place. We have purchased Astra, the rapidly growing pharmaceutical company, and the holding company Investor to reflect our confidence in the newly buoyant Stockholm market. In Switzerland we think that there is finally some room for monetary easing after two years of depressing inflation figures. We have bought Brown Boveri recently as we are convinced that this well-managed business will be a beneficiary of major European infrastructure projects over the coming decade. In Italy there are fewer firm indications of falling inflation or macroeconomic reform but we are becoming intrigued by signs that pressure from Brussels and Frankfurt is just beginning to force the authorities in Rome towards more disciplined economic policies.

Though stockmarket sentiment deteriorated last year, we think that continental economies seem to us to offer good prospects for sustained economic growth with low inflation. The process of reform in eastern Germany will start to assist the European economy in the course of the coming year and we think that this will provoke a revival of confidence in continental markets.

30th April 1991	£'000	% of fund
Belgium	2,207	0·6
France	21,751	6·2
Germany	33,932	9·7
Italy	6,873	2·0
Luxembourg	1,721	0·5
Netherlands	3,693	1·1
Spain	3,342	1·0
Sweden	5,197	1·4
Switzerland	7,059	2·0
Equity investments	85,775	24·5
Net liquid assets	301	0·1
Total	86,076	24·6

Managers' Portfolio Review

CONTINUED

Japan

Over the past year Monks has continued to hold only a small stake in Japan. We started the year with £11·3m or 3·3% of funds. A modest addition of £0·9m was made, mainly in March 1991, and at the end of the year our total stake was £10·8m (3·1%). For most of the period under review the Japanese market performed poorly. It started reasonably well with a modest recovery after the dramatic setback in the first few months of 1990 but a return of inflationary worries and further tightening by the Bank of Japan, which raised interest rates to counter the inflationary pressures, sent investors rushing for cover. This weakness in the market in mid-year was further exacerbated by the Iraqi invasion of Kuwait and from its peak at the end of December 1989 to its low point at the start of October 1990 the Topix (Tokyo Stock Exchange First Section) fell by 47%. Since then there has been a good recovery, much of which was subsequent to the outbreak of hostilities in the Gulf in January and it was helped by investors in February anticipating a cut in short term interest rates. This proved to be a misplaced judgement and since then the stockmarket has traded in a narrow range and volumes have declined. For the year to 30th April 1991 the Topix declined by 19·4% in yen terms but a 10·6% appreciation of the yen against sterling reduced the fall to 10·7% on a sterling basis. Monks small Japanese portfolio underperformed the index over the year. We sold NEC (computers, communications and semiconductors), Sharp (consumer electronics), Shimizu (construction) and Daiwa Securities (stockbroker) and the principal additions were Sony (consumer electronics), Fuji Photo Film (photosensitive materials) and Tokio Marine & Fire (non-life insurance).

Japan's economy, after growing at about 5% in each of the last four years, in now facing a period of slower growth. There have been a number of problems created by this unsustainably high level of economic activity which must be tackled by the authorities. The major problem, inflation, has been rising steadily and at around 4% is at its highest level for over ten years; labour shortages still persist with 1½ jobs available for every job applicant and in some industries such as construction there are shortages of materials. Recognising the danger signals Mr. Mieno, the Governor of the Bank of Japan, has been pursuing an extremely tight monetary policy for the past eighteen months, since he became Governor. His policies appear to be having the desired effect. Economic growth in the final quarter of 1990 slipped to about half the rate of the previous nine months and economists are downgrading their forecasts for the current year. The twin pillars of the economic growth, consumption and private capital investment, are both facing more difficult times. Wage increases are moderating thus easing consumer demand and capital investment is slowing dramatically, partly for cyclical reasons but also because access to cheap finance for Japanese companies is no longer available. We believe this slowdown in the economy is an essential and desirable development and once evidence emerges of a decline in inflation we believe that the bank of Japan will start to ease interest rates.

Our exposure to the Japanese market is very low by historical standards and any change is likely to be to increase it. Our long term confidence in Japan remains, but a deteriorating economic and corporate profit outlook and a stockmarket that by historical ratings or relative to fixed interest investments remains expensive mean that it is probable that any increase will be delayed.

30th April 1991	£'000	% of fund
Equity investments	10,809	3·1
Net liquid assets	76	–
Total	10,885	3·1

Office furniture from Kukuyo

Managers' Portfolio Review

CONTINUED

Pacific

Over the past year Monks has increased its stake in the other markets of the Pacific Basin. We believe that a combination of the rapid economic growth in the area, a healthy upward trend in company profits and developing stockmarkets is a good long term recipe for profitable returns to investors. At the beginning of the year Monks had £42·2m or 12·5% of funds invested in the region; a net investment of £4·0m was added during the year, mainly in the final quarter, and we ended the year with £48·0m or 13·7% of funds invested there.

The company's largest holding is the BG Pacific Unit Trust in which we have £19·5m (5·6%) invested. This is a fund managed by Baillie Gifford & Co which gives Monks a broad exposure to a wide range of markets and stocks in the Pacific Region. We consider this an attractive way of investing in these smaller markets and there are no additional costs to Monks as no initial charge is payable and the annual management charge of the unit trust is rebated in full. An additional £10·2m was added to this fund during the year.

Hong Kong Telecom laying the first fibre optic submarine cable linking Hong Kong, Japan and Korea

It was a year of two very different halves in terms of performance for the markets of the Far East. In the first six months to 31st October 1990, a period which encompassed the Iraqi invasion of Kuwait, the stockmarkets of the region declined by between 14% (Hong Kong) and 32% (Thailand) on a sterling basis. This performance was understandable because of the potential setback to the economic growth of the region which higher oil prices and slower world growth would cause. However, as the news from the Gulf improved, following the outbreak of hostilities, the stockmarkets all enjoyed a healthy recovery. Singapore performed best rising by 33% over this period and even the laggard market, Australia, gained 15% (both on a sterling basis).

Cement production by Siam Cement

For the year as a whole the principal markets in which Monks is invested performed as follows:–

	% change on Sterling basis
Hong Kong	+ 16·3
Singapore	+ 7·7
Malaysia	+ 6·5
Thailand	− 1·6
Australia	+ 6·0

Economically, Hong Kong has had another dull year. GNP rose by 2·4%, a very slow rate by historical standards reflecting the weakness caused by the aftermath of the Tiananmen Square massacre in June 1989. However, a good recovery is anticipated this year with growth approaching 5%. The stockmarket has performed well and the index is currently trading close to its all time peak level. It still looks cheap, but there are both short and long term reasons why this is likely to remain the case. The underlying problem is that Hong Kong will be returned to China in 1997. Short term the more pressing concerns are whether the massive PADS (Port and Airport Development Scheme) will proceed and whether

Managers' Portfolio Review

CONTINUED

Pacific (continued)

performed well and the index is currently trading close to its all time peak level. It still looks cheap, but there are both short and long term reasons why this is likely to remain the case. The underlying problem is that Hong Kong will be returned to China in 1997. Short term the more pressing concerns are whether the massive PADS (Port and Airport Development Scheme) will proceed and whether the USA will renew China's privileged trading status. Despite these problems we remain confident that there are attractive investment opportunities in Hong Kong and that the stockmarket is fairly valued. At present Monks has 4·4% of assets invested there.

Singapore (3·5% of assets) is our second most important market in the Far East. We added OCBC, one of the leading banks, to our portfolio. The economy grew by over 8% in 1990 and while some slowdown is expected this year the outlook remains encouraging. Singapore, with its excellent location, political stability and sound economic management remains a promising area for investment.

A Keppel shipyard

The area where we have made the largest investment over the past year is Malaysia and we now have 2·6% of funds invested there. Malaysia is a country that has been transformed over the past few years from an economy highly dependent on commodities to one where manufacturing is now the leading contributor to growth. This diversification has resulted in growth approaching 10% in each of the last three years and only a minor drop from this level is expected this year. Such rapid growth has caused some overheating within the economy which has resulted in interest rates rising moderately but we are confident that these problems can be overcome quickly. We purchased Syarikat Telekom Malaysia, the telephone utility which was recently privatised and whose long term growth prospects look outstanding.

Monks made its first direct purchase in Thailand although it already had an investment in the Thai International Fund. Siam Cement, one of Thailand's largest industrial conglomerates, should be a beneficiary of the major infrastructural spending needed in Thailand over the next few years. The Thai stockmarket proved extremely volatile and overall declined by 1·6% in sterling terms. What this masks is that from its peak in July to its low in late November the local index plunged 52%. Too rapid economic growth, which resulted in rising inflation and interest rates, and political tensions caused the sell off. Since then optimism has returned, a bloodless coup has taken place and corporate profits are rising strongly.

30th April 1991	£'000	% of fund
Hong Kong	15,381	4·4
Singapore	12,389	3·5
Thailand	6,487	1·9
Malaysia	9,071	2·6
Australia	2,010	0·6
Other	2,674	0·7
Equity investments	48 012	13·7
Net liquid assets	12	–
Total	48,024	13·7

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 30th April 1991.

REVIEW OF ACTIVITIES

During the year under review the Company has followed the normal activities of an investment trust company A review of the main features of the year is contained in the Chairman's Statement and in the Managers' Portfolio Review on the preceding pages.

DIVIDENDS

The Board recommends a final dividend of 4·70p per ordinary share which, together with the interim already paid, makes a total of 6·70p for the year, compared with 6·00p for the previous year.

If approved, the recommended final dividend on the ordinary shares will be paid on 1st August 1991 to shareholders on the register at close of business on 21st June 1991.

After payment of the dividend the accumulated revenue balance is increased by £606,000 to £2,458,000.

STATUS

The Company has received approval as an Investment Trust from the Inland Revenue in respect of the year to 30th April 1990 and has subsequently directed its affairs so as to enable it to continue to seek such approval.

The close company provisions do not apply.

The Company is an investment company within the meaning of S.266 of the Companies Act 1985.

SUBSTANTIAL HOLDINGS

The following information has been intimated to the Company as at 5th June 1991 in compliance with S.198 of the Companies Act 1985.

Name	Number and class of shares held		% of issue
Prudential Corporation Group of Companies	8,988,506	Ord. 25p shares	11·59
Pearl Assurance Plc	6,888,066	Ord. 25p shares	8·87
The Scottish Widows' Fund & Life Assurance Society	5,974,727	Ord. 25p shares	7·70
The Equitable Life Assurance Society	5,001,345	Ord. 25p shares	6·44
The Standard Life Assurance Company	2,959,444	Ord. 25p shares	3·81
Electricity Supply Pension Scheme	2,713,000	Ord. 25p shares	3·50

DIRECTORS

The directors during the year under review, and their interests in the Company, were as follows:

	Nature of Interest	Ordinary 25p shares held at 30/4/91	1/5/90
M Hamilton	Personal	4,000	6,000
	Trustee	9,300	9,300
Sir Dermot de Trafford, Bt.	Personal	20,430	20,430
Sir Roderick MacLeod	Personal	2,240	2,240
CKR Nunneley	–	–	–
C[illegible]L Shakerley	–	–	–

There have been no changes intimated in the directors' interests up to 5th June 1991.
Mr M Hamilton and Sir Roderick MacLeod retire by rotation but are eligible for re-election.

Directors' Report

CONTINUED

AUDITORS

The auditors, Coopers & Lybrand Deloitte, are willing to continue in office and in accordance with the Companies Act 1985 resolutions concerning their re-appointment and remuneration will be submitted to the Annual General Meeting.

By order of the Board

BAILLIE GIFFORD & Co,

Managers and Secretaries.
6th June 1991

Auditors' Report

TO THE MEMBERS OF THE MONKS INVESTMENT TRUST PLC

We have audited the accounts on pages 18 to 25 in accordance with Auditing Standards.

In our opinion these accounts give a true and fair view of the state of the Company's affairs at 30th April 1991 and of its revenue and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

COOPERS & LYBRAND DELOITTE
Chartered Accountants
Edinburgh
6th June 1991

Revenue Account

for the year to 30th April 1991

	Notes	1991 £'000	1990 £'000
INCOME			
Income from investments	2	11,104	10,318
Interest receivable and other income	3	2,968	2,355
Gross income		14,072	12,673
EXPENSES			
Interest payable	4	(4,410)	(4,434)
		9,662	8,239
Administrative expenses	5	(1,542)	(1,228)
REVENUE			
from ordinary activities before taxation		8,120	7,011
Tax on revenue from ordinary activities	6	(2,315)	(1,959)
REVENUE			
from ordinary activities after taxation		5,805	5,052
DIVIDENDS			
Ordinary paid and proposed	7	(5,199)	(4,656)
ACCUMULATED REVENUE			
Net revenue for the financial year		606	396
Brought forward		1,852	1,456
Carried forward		2,458	1,852
EARNINGS			
per ordinary share	8	7·48p	6·51p

Balance Sheet

at 30th April 1991

	Notes	1991 £'000	1991 £'000	1990 £'000	1990 £'000
FIXED ASSETS					
Investments	9		325,729		318,274
CURRENT ASSETS					
Debtors	10	5,155		2,626	
Investments	11	28,570		20,604	
Cash at bank and in hand		38		6,561	
		33,763		29,791	
CREDITORS					
Amounts falling due within one year	12	(9,508)		(10,745)	
NET CURRENT ASSETS			24,255		19,046
TOTAL ASSETS *less current liabilities*			349,984		337,320
CREDITORS					
Amounts falling due after more than one year	13		(40,000)		(40,000)
			309,984		297,320
CAPITAL AND RESERVES					
Called up share capital	15		19,398		19,398
Share premium account			11,100		11,100
Capital reserve	16		222,121		211,298
Unrealised appreciation	17		54,907		53,672
Accumulated revenue			2,458		1,852
			309,984		297,320

The Accounts were approved by the Directors on 6th June 1991.

The Notes on pages 21 to 25 form part of these Accounts.

The Auditors' Report is on page 17.

Director

Funds

STATEMENT OF SOURCE AND APPLICATION

	1991 £'000	1991 £'000	1990 £'000	1990 £'000
REVENUE				
Source of funds				
Revenue from ordinary activities before taxation		8,120		7,011
Application of funds				
Taxation paid and suffered on income	2,322		1,802	
Dividends paid	4,811	7,133	3,725	5,527
Increase in revenue funds		987		1,484
CAPITAL				
Source of funds				
Sales of UK gilts	75,923		–	
Sales of securities:				
United Kingdom	36,425		47,089	
North America	32,483		34,465	
Europe	31,243		42,388	
Japan	3,925		21,956	
Pacific	23,097		4,552	
	203,096		150,450	
Items not involving the movement of funds	21	203,117	–	150,450
Application of funds				
Purchases of UK gilts	73,871		–	
Purchases of securities:				
United Kingdom	46,326		31,716	
North America	6,780		28,855	
Europe	36,048		58,519	
Japan	4,800		12,791	
Pacific	27,083		13,550	
	194,908		145,431	
Investments written off	855		172	
Realised loss/(gain) on currency exchange	2,221		(117)	
Debenture stock repaid	500		150	
		198,484		145,636
Increase in capital funds		4,633		4,814
TOTAL INCREASE IN WORKING CAPITAL		5,620		6,298
Represented by:				
Increase/(decrease) in debtors		2,683		(1,148)
Decrease/(increase) in creditors		1,603		(4,856)
(Decrease)/increase in cash		(6,632)		5,913
Increase in short-term deposits		7,966		6,389
		5,620		6,298

Notes to Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust will continue to be granted.

(a) INCOME AND EXPENSES

(i) Investment income is credited to the revenue account on the date on which it is receivable.

(ii) Franked and unfranked investment income include the imputed tax credits or taxes deducted at source.

(iii) Interest receivable on short-term loans and deposits, interest payable and expenses of management are dealt with on an accruals basis.

(b) FOREIGN CURRENCIES

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction.

Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date.

(c) INVESTMENTS

Listed investments are shown at market value.

Unlisted investments are shown at a valuation determined by the Directors based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate.

(d) TAXATION

(i) Deferred taxation is provided for short-term timing differences and the accrued income liability within the portfolio valuation.

(ii) Provision is not made for advance corporation tax payable in respect of the final dividend if it is considered that this will be fully relieved within one year.

(iii) Provision is made, or credit taken, in the capital reserve for any tax liability or relief arising under the Accrued Income Scheme.

(e) CAPITAL RESERVE

Gains and losses on realisation of investments and realised exchange differences are dealt with in this reserve.

(f) UNREALISED APPRECIATION

Unrealised appreciation represents the amount by which the market value of assets less liabilities exceeds the book value.

2 INCOME FROM INVESTMENTS

	1991		1990	
	£000	£000	£000	£000
DIVIDENDS FROM INVESTMENTS				
LISTED INVESTMENTS				
Franked investment income	5,102		4,946	
Unfranked investment income	4,027		3,775	
		9,129		[illegible]
UNLISTED INVESTMENTS				
Unfranked investment income	2		–	
		2		
		9,131		[illegible]
INTEREST FROM INVESTMENTS				
LISTED INVESTMENTS				
Unfranked investment income		1,959		[illegible]
UNLISTED INVESTMENTS				
Unfranked investment income		14		[illegible]
		11,104		[illegible]

Notes to Accounts

CONTINUED

			1991 £'000	1990 £'000
3 INTEREST RECEIVABLE AND OTHER INCOME				
Income from deposits:				
United Kingdom			2,436	1,635
Other countries			461	601
Underwriting commissions			71	119
			2,968	2,355
4 INTEREST PAYABLE				
Debentures:				
repayable in over 5 years			4,400	4,400
repayable in less than 5 years			10	33
Bank Overdraft			–	1
			4,410	4,434
5 ADMINISTRATIVE EXPENSES				
General administrative expenses			1,498	1,194
Directors' fees			38	29
Auditors' remuneration			6	5
			1,542	1,228

General administrative expenses include management remuneration of £1,035,000 (£815,000), the basis of which is described in note 20.

The Chairman's emoluments amounted to £10,000 (£7,500). The five other directors each received fees in the range £5,001–£10,000 (£0–5,000).

			1991 £'000	1990 £'000
6 TAX ON REVENUE FROM ORDINARY ACTIVITIES				
Corporation tax charge for the year at 34% (35%)			1,072	702
Relief for overseas taxation			(483)	(480)
Deferred taxation			(32)	20
			557	242
Overseas withholding taxes			483	480
Tax on franked investment income			1,275	1,237
			2,315	1,959
7 ORDINARY DIVIDENDS				
Interim dividend per ordinary share	2·00p	1·80p	1,552	1,397
Proposed final dividend per ordinary share	4·70p	4·20p	3,647	3,259
	6·70p	6·00p	5,199	4,656

8 EARNINGS PER ORDINARY SHARE

The calcuation of earnings per share is based on the revenue from ordinary activities after taxation available for ordinary shareholders of £5,805,000 (£5,052,000) and the 77,592,000 (77,592,000) shares in issue.

Notes to Accounts

CONTINUED

	1991 £'000	1990 £'000
9 FIXED ASSETS – INVESTMENTS		
Listed at market value		
In Great Britain	122,790	92,395
Overseas	200,469	222,392
Unlisted – Warrants	1,720	2,317
Others at Directors' valuation	750	1,170
	325,729	318,274
Value of investments held at 1st May 1990	318,274	278,437
Unrealised appreciation at 1st May 1990	(53,672)	(46,802)
Cost of investments held at 1st May 1990	264,602	231,635
Additions at cost	194,908	145,431
Disposals at cost	(188,688)	(112,464)
Cost of investments held at 30th April 1991	270,822	264,602
Unrealised appreciation at 30th April 1991	54,907	53,672
Value of investments held at 30th April 1991	325,729	318,274

	1991 £'000	1990 £'000
10 DEBTORS		
Due within one year:		
Dividends accrued	16	–
UK and withholding taxes deductible therefrom	(4)	–
	12	–
Sales for subsequent settlement	4,405	1,240
Taxation recoverable	266	187
Other debtors	376	863
Due after more than one year:		
Deferred taxation (note 14)	96	336
	5,155	2,626

	1991 £'000	1990 £'000
11 CURRENT ASSETS – INVESTMENTS		
Temporary deposits:		
United Kingdom	27,769	10,488
Other countries	801	10,116
	28,570	20,604

	1991 £'000	1990 £'000
12 CREDITORS		
Amounts falling due within one year:		
Bank overdraft	356	247
Purchases for subsequent settlement	3,254	4,801
5½% First debenture stock 1985/90 (repaid 15/9/90)	–	500
Other creditors	2,251	1,938
Proposed final dividend	3,647	3,259
	9,508	10,745

Notes to Accounts

CONTINUED

	1991 £'000	1990 £000
13 CREDITORS		
Amounts falling due after more than one year:		
Debenture stocks:		
(repayable in over five years)		
[illegible]% First debenture stock 2012	40,000	40,000
	40,000	40,000

The debenture stock is secured by a floating charge over the assets of the Company, and can be redeemed in whole or in part on any interest date at three months' notice from the Company on or after the interest date five years before the final date of redemption.

The debenture stock is not redeemable in instalments.

	1991 £'000	1990 £000
14 DEFERRED TAX		
Attributable to short term timing differences	594	562
Attributable to Accrued Income Scheme liability	(498)	(226)
Debtor balance (note 10)	96	336

	1991 £'000	1990 £000
15 CALLED UP SHARE CAPITAL		
Authorised, allotted, issued and fully paid		
Ordinary shares – 77,592,000 shares of 25p each	19,398	19,398

	1991 £'000	1990 £000
16 CAPITAL RESERVE		
At 1st May 1990	211,298	173,263
Net gains on listed investments sold during year	15,728	37,986
Net loss on unlisted investments sold during year	(1,320)	–
Dividends written back	21	–
Net (loss)/gain on currency exchange during year	(2,221)	117
Investments written off	(855)	(172)
Accrued Income Scheme	(530)	104
At 30th April 1991	222,121	211,298

This reserve is not distributable.

	1991 £'000	1990 £000
17 UNREALISED APPRECIATION		
At 1st May 1990	53,672	46,802
Movement in year	1,235	6,870
At 30th April 1991	54,907	53,672

The unrealised appreciation on investments of £54·9m comprises an appreciation of £56·9m on listed investments and a depreciation of £2·0m on unlisted investments.

This reserve is not distributable.

18 COMMITMENTS AND CONTINGENCIES

There were no contingent liabilities in respect of uncalled capital on investments (30.4.90 – £994,000).

Notes to Accounts

CONTINUED

19 DIRECTORS' INTERESTS IN CONTRACTS

No director has a contract of service with the Company.

During the year no director was interested in any other contract or matter requiring disclosure under S.232 of the Companies Act 1985.

20 MANAGEMENT AGREEMENT

Baillie Gifford & Co are employed by the Company as Managers and Secretaries under a management agreement. Their fee is 0·0875% of the total assets less current liabilities per quarter. This is extended to the investment in BG Pacific and the charge within the Unit Trust is rebated to Monks. For the year to 30th April 1991, the fee calculated on this basis was £1,035,000 (£815,000). The agreement is terminable on not less than three years' notice, or on shorter notice in certain circumstances.

Record of Revenue and Capital

CAPITAL

At 30th April	Total assets £000	Debenture stocks (1) and Bank loans £000	Net assets available for ordinary shareholders £000	Net asset value per 25p share p
1981	82,840	4,750	78,090	100·6
1982	81,202	4,750	76,452	98·5
1983	123,021	12,285	110,736	142·7
1984	156,408	12,990	143,418	184·8
1985	155,182	900	154,282	198·8
1986	200,958	650	200,308	258·2
1987	265,595	25,650	239,945	309·2
1988	232,285	25,650	206,635	266·3
1989	292,519	40,500	252,019	324·8
1990	337,320	40,000	297,320	383·2
1991	**349,984**	**40,000**	**309,984**	**399·5**

TOTAL RETURN

Year to 30th April	Total return on net asset value (2) %
1981	51·9
1982	1·3
1983	48·4
1984	31·9
1985	9·4
1986	31·7
1987	21·3
1988	(12·5)
1989	24·2
1990	20·4
1991	**6·6**

REVENUE

Year to 30th April	Gross income £000	Available for ordinary shareholders £000	Earnings per ordinary 25p share net p	Dividend per ordinary 25p share net p
1981	3,828	1,919	2·47	2·40
1982	3,594	1,692	2·18	2·40
1983	3,932	1,739	2·24	2·40
1984	4,320	1,667	2·15	2·40
1985	4,122	1,736	2·24	2·40
1986	3,722	2,058	2·65	2·60
1987	5,013	2,389	3·08	2·80
1988	7,304	2,540	3·27	3·00
1989	10,186	3,716	4·79	4·50
1990	12,673	5,052	6·51	6·00
1991	**14,072**	**5,805**	**7·48**	**6·70**

Notes 1 The debenture stocks are deducted at par value.

2 This shows the percentage by which the net asset value at the year end, plus the gross dividend paid for the year, is greater or less than the net asset value at the previous year end.

List of Investments

at 30th April 1991

			Market value £000	%
		UNITED KINGDOM		
Building and construction	BPB Industries	Plasterboard producer	2,250	
	Persimmon	Housebuilder	2,313	
	Wilson Connolly	Housebuilder	5,910	
	Wolseley	Builders merchant	2,734	
			13,207	3·8
Miscellaneous: Capital goods	§ BTR	Industrial holding company	832	
	Williams Holdings	Industrial holding company	2,940	
			3,772	1·1
Breweries and distilleries	‡ Grand Metropolitan	Spirits and food	4,337	
	† Guinness	Brewing and distilling	5,541	
			9,878	2·8
Hotels and leisure	Carlton Communications	Broadcasting services	1,320	
	Ladbroke Group	Hotels, betting, retailing, property	1,650	
	Compass Group	Catering and hospitals	2,568	
			5,538	1·6
Healthcare	Glaxo Holdings	Pharmaceuticals	2,741	0·8
Printing, publishing and advertising	† NMC Group	Packaging	1,560	
	‡ News Corp. Cayman *(listed in Luxemburg)*	Converts into Pearson (industrial holding company)	5,327	
	Michael Page	Recruitment agency	355	
	‡ United Newspapers	Converts into Reuters (information technology)	3,944	
	St Ives	Printing	1,870	
			13,056	3·7
Retail trade	‡ Albert Fisher	Food distribution	2,623	
	Dunhill	Luxury goods retailer	2,252	
	Etam	Fashion retailer	1,925	
	Wm. Morrison	Food retailer	4,038	
	† Ratners	Jewellery retailer	3,452	
	‡ J. Sainsbury	Food retailer	5,210	
	Tesco	Food retailer	4,910	
			24,410	7·0
Tobacco	BAT Industries	Tobacco and insurance	3,238	0·9
Oil and gas	British Petroleum	International oil company	8,794	
	Shell Transport & Trading	International oil company	6,589	
			15,383	4·4
Office equipment and electronics	Bowthorpe Holdings	Electricals holding company	1,296	
	Diploma	Building products, distributor of electronic components	2,505	
	Electrocomponents	Distributor of electronic components	2,345	
	† Erskine House	Office equipment distributor	1,475	
	Racal Electronics	Electronics and cellular communications	2,250	
			9,871	2·8
Miscellaneous: Other groups	* Granville Venture Capital	Venture capital fund	31	
	Hanson	Industrial holding company	5,713	
			5,744	1·7
Banks	Barclays Bank	Banking	3,115	
	Lloyds Bank	Banking	3,685	
			6,800	2·0

(* denotes unlisted security)
(† denotes holding partly or wholly in convertible preference stock)
(‡ denotes holding partly or wholly in convertible loan stock)
(§ denotes holding partly or wholly in warrants)

List of Investments

CONTINUED

			Market value £'000	%
Insurance: Life	Legal & General	Life assurance	2,610	
	Prudential Corporation	Life assurance	3,744	
			6,354	1·8
Insurance: Composite	Sun Alliance & London	Composite insurance	2,496	0·7
Insurance: Brokers	Willis Corroon	Insurance broker	1,256	0·4
Land and property	‡ British Land	Property	630	
	† Dares Estates	Property	467	
	‡ Land Securities	Property	3,211	
			4,308	1·2
Other financial	ECI Investments	Investment holding company	96	—
	TOTAL UNITED KINGDOM EQUITIES		128,148	36·7

NORTH AMERICA

Healthcare	Bristol-Myers Squibb	Pharmaceuticals and nutritional and consumer products	2,182	0·6
Retail trade	Dillard Department Stores	Department stores	3,937	1·1
Tobacco	Philip Morris	Tobacco, food and beer	5,808	1·7
Oil and gas	Amerada Hess	Integrated oil company	3,987	
	Barrett Resources	Oil and gas exploration	1,127	
	Phillips Petroleum	Integrated oil company	3,176	
	Tosco	Oil refining	1,398	
	Unocal	Integrated oil company	7,567	
			17,255	4·9
Oil service	Halliburton	Oil service	7,823	
	Schlumberger	Oil service	11,479	
			19,302	5·5
Office equipment and electronics	* ACS Communications	Telecommunications equipment	82	
	Cognex	Vision systems	713	
	*‡ Integral Systems	Payroll and personnel software	283	
	* Oxford Venture	Venture capital fund	355	
			1,433	0·4
Banks	Wachovia Corporation	Banking	3,068	0·9
	TOTAL NORTH AMERICAN EQUITIES		52,985	15·1

EUROPE

Building and construction	Cementia	Cement manufacturer — Switzerland	1,598	
	Lafarge Coppée	Cement manufacturer — France	2,874	
	Legris	Construction equipment — France	2,248	
			6,720	1·9
Heavy electrical and telecommunications	Alcatel Alsthom	Electricals and telecommunications — France	4,340	
	Alcatel Cable	Cable manufacturer — France	2,376	
	Bobst	Paper machinery — Switzerland	1,836	
	Brown Boveri	Electricals and telecommunications — Switzerland	3,625	
	Legrand	Electricals — France	1,471	
	Siemens	Electricals and telecommunications — Germany	4,185	
	Teleco Cavi	Cable manufacturer — Italy	2,460	
			20,293	5·8

(* denotes unlisted security)
(† denotes holding partly or wholly in convertible preference stock)
(‡ denotes holding partly or wholly in convertible loan stock)

List of Investments

CONTINUED

			Market value £000	%
Miscellaneous: Capital goods	Arbed	Steel – Luxembourg	1,721	
	GEA	Industrial equipment – Germany	2,861	
	Hertel	Machine tools – Germany	687	
	Hoesch	Steel and heavy capital goods – Germany	3,901	
	Kloeckner Werke	Steel and industrial machinery, plastic – Germany	1,596	
	Krones	Packaging machinery – Germany	1,672	
	KSB	Pump manufacturer – Germany	2,011	
	SASIB	Packaging and railway equipment – Italy	4,413	
			18,862	5·4
Motors and distributors	Daimler-Benz	Motors – Germany	3,542	1·0
Healthcare	Astra	Pharmaceuticals – Sweden	3,443	
	Gehe	Pharmaceutical distributor – Germany	3,184	
			6,627	1·9
Printing, publishing and advertising	Elsevier	Specialist publishing – Netherlands	3,693	1·1
Retail trade	Castorama Dubois	DIY stores – France	3,935	
	Comptoirs Modernes	Supermarkets – France	2,396	
	GIB	Supermarkets and specialist retailing – Belgium	2,207	
			8,538	2·4
Miscellaneous: Consumer goods	Escada	Fashion knitwear – Germany	2,527	
	Jean Pascale	Clothes retailer – Germany	448	
			2,975	0·9
Utilities	Sevillana	Electric utility – Spain	3,342	1·0
Miscellaneous: Other groups	AGIV	Industrial holding company – Germany	1,930	
	Hapag Lloyd	Shipping and tourism – Germany	1,027	
			2,957	0·8
Banks	BHF Bank	Banking – Germany	2,457	0·7
Land and property	Wuensche	Property – Germany	1,904	0·5
Other financial	IDIA	Development capital for food businesses – France	2,111	
	Investor	Holding company – Sweden	1,754	
			3,865	1·1
	TOTAL EUROPEAN EQUITIES		[illegible]775	24·5

JAPAN

Building and construction	§ Sumitomo Forestry	Building materials and housing	575	0·2
Heavy electrical and engineering	Fanuc	Numerical controls for machine tools	924	
	Kyocera	Ceramic packages for integrated circuits	1,398	
			2,322	0·7
Light electrical	Sony	Consumer electronics	1,378	0·4
Retail trade	§ Canon Sales	Sales of Canon products in Japan	1,061	0·3
Office equipment and electronics	Kokuyo	Office stationery and furniture manufacturer	1,494	0·4
Miscellaneous: Other groups	Fuji Photo Film	Photosensitive materials	1,713	
	§ Hankyu	Regional railway operator	250	
	§ Sumitomo Corp	Trading company	178	
			2,141	0·6
Insurance: Composite	Tokio Marine & Fire	Non-life insurance	1,838	0·5
	TOTAL JAPANESE EQUITIES		10,809	3·1

(§ denotes holding partly or wholly in warrants)

List of Investments

CONTINUED

			Market value £000	%
		PACIFIC		
Building and construction	Siam Cement	Cement and building materials – Thailand	2,178	0·6
Retail trade	Dickson Concept	Wholesaler and retailer of luxury goods – Hong Kong	1,358	0·4
Tobacco	Rothmans Malaysia	Tobacco company – Malaysia	1,142	0·3
Utilities	Hong Kong Telecom	Telephone Utility – Hong Kong	1,967	
	‡ Syarikat Telekom Malaysia	Telephone Utility – Malaysia	3,619	
			5,586	1·6
Miscellaneous: Other groups	Hutchison Whampoa	Property and industrial conglomerate – Hong Kong	4,932	
	§ Keppel Co	Ship repairs and property – Singapore	3,362	
	Singapore Airlines	Airline operator – Singapore	3,282	
	Swire Pacific	Property and airlines – Hong Kong	2,004	
			13,580	3·9
Banks	OCBC	Bank – Singapore	2,654	0·8
Other financial	BG Pacific	Unit trust	19,504	
	Thailand International Fund	Investment fund – Thailand	2,010	
			21,514	6·1
	TOTAL PACIFIC EQUITIES		48,012	13·7

	Value of equity stocks	281,832		
	Convertible loan stock having an element of equity	29,010		
	Convertible preference stock having an element of equity	8,973		
	Warrants having an element of equity	5,914		
TOTAL INVESTMENTS			325,729	93·1
NET LIQUID ASSETS			24,255	6·9
TOTAL ASSETS AT MARKET VALUE (before deduction of prior charges)			349,984	100·0

(‡ denotes holding partly or wholly in convertible loan stock)
(§ denotes holding partly or wholly in warrants)

Further Shareholder Information

The Company's shares are traded on the Stock Exchange. They can be bought by investors either placing an order with a stockbrocker or asking a professional adviser, e.g. lawyer, accountant or bank manager, to do so on their behalf. They are also available through The Baillie Gifford Investment Trust Savings Scheme referred to on page 2. The price of the shares is quoted daily in the *Financial Times, Daily Telegraph, The Scotsman, Glasgow Herald, The Independent* and *The Times*.

Ordinary shareholders receive two dividends in respect of each financial year ending on 30th April. An interim dividend is paid in February, and a final one in August. Shareholders are welcome at the Annual General Meeting of the Company to be held on Tuesday, 23rd July 1991.

For capital gains tax purposes the market value of the ordinary shares of the Company as at 31st March 1982, for indexation purposes, was 70·5p.

Analysis of Shareholders

At 30th April 1991, the ordinary shareholdings are analysed as follows:

	Shareholders Number	%	Ordinary shares held Number	%
Individuals	4,031	81·1	10,977,686	14·1
Insurance Companies	69	1·4	19,323,152	24·9
Banks and Nominee Companies	586	11·8	38,311,633	49·4
Investment Trusts	7	0·1	73,408	0·1
Pension Funds	9	0·2	2,104,018	2·7
Other holders	266	5·4	6,802,103	8·8
	4,968	100·0	77,592,000	100·0

Notice

OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixty second Annual General Meeting of The Monks Investment Trust PLC will be held at the offices of Baillie Gifford & Co., 8th Floor, Brettenham House, 6 Lancaster Place, London WC2 7EN, on Tuesday, 23rd July 1991 at 10.30 a.m. for the following purposes:

To approve the Accounts of the Company for the year to 30th April 1991 with the reports of the directors and of the auditors thereon, and to declare a dividend.

To re-elect directors.

To re-appoint Coopers & Lybrand Deloitte as auditors.

To authorise the directors to fix the remuneration of the auditors.

By Order of the Board,

BAILLIE GIFFORD & Co,
Managers and Secretaries
26th June 1991

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A Form of Proxy is enclosed.

2 Only holders of ordinary shares are entitled to attend or be represented at the meeting.

3 No director has a contract of service with the Company.

Printed by George Waterston & Sons Ltd, Edinburgh and London

THE MONKS INVESTMENT TRUST PLC

Form of Proxy

I/We ____________________

of ____________________

being a Member(s) of the above-named Company, hereby appoint the Chairman of the Meeting, or ____________________ (see Note 2)
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, 23rd July 1991, and at any adjournment thereof.

Please indicate with an X in the spaces below how you wish your votes to be cast. In any case where no indication is given the proxy will vote or abstain as he thinks fit.

RESOLUTIONS	FOR	AGAINST
To approve the report of the Directors and the accounts for the year ended 30th April 1991 and to declare a dividend.		
To re-elect Mr M Hamilton as a director.		
To re-elect Sir Roderick MacLeod as a director.		
To re-appoint Coopers & Lybrand Deloitte as auditors.		
To authorise the Directors to fix the remuneration of the auditors.		

Signature ____________________

Dated this ________ day of ________ 1991.

Notes

1. *In the case of joint holders the vote of the senior who tenders a vote will be accepted.*
2. *A member may appoint a proxy of his own choice by deleting the reference to the Chairman of the Meeting and inserting the name of his proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member.*
3. *An instrument appointing a proxy by a corporation must be given under its common seal or signed by an officer or attorney on its behalf.*
4. *An instrument appointing a proxy must be lodged with the Registrar of the Company not less than 48 hours before the time of the meeting, and in default will not be treated as valid.*

First fold

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. EH 59

2

The Royal Bank of Scotland plc
Registrars Department
PO Box 457
Owen House
8 Bankhead Crossway North
Edinburgh EH11 0XG

Second fold