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The Monks Investment Trust PLC

Annual Report and Accounts 2004

Contents

Monks invests in companies throughout the world.

Company data at 30 April 2004

Total assets	Shareholders' funds	Market capitalisation
£692m†	**£613m**	**£509m**

†before deduction of borrowings.

Company Summary

Monks' objective is to invest internationally to achieve capital growth, which takes priority over income and dividends.

Policy and Objective
Monks' objective is to invest internationally to achieve capital growth, which takes priority over income and dividends. The portfolio is concentrated in a relatively small number of holdings for a global portfolio, consisting almost entirely of quoted securities. The managers are prepared to move freely between markets as opportunities for growth vary.

Comparative Index
The principal index against which performance is measured is the FTSE World Index (in sterling terms).

Management Details
Baillie Gifford & Co is appointed as investment managers and secretaries to the Company. The management contract can be terminated on 12 months' notice.

Capital Structure
At the year end the Company's share capital consisted of 294,355,295 fully paid ordinary shares of 5p each. The Company has been granted authority to buy back a limited number of its own ordinary shares for cancellation. Long term gearing has been secured by the issue of £80 million (nominal value) of debenture stocks.

Management Fee
Baillie Gifford & Co's annual remuneration is 0.45% of total assets less current liabilities, calculated on a quarterly basis.

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

Notes
None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Investment trusts are UK public listed companies and are not authorised or regulated by the Financial Services Authority.

Year's Summary

The following information illustrates how an investment in Monks has performed relative to its comparative index over the year to 30 April 2004.

	30 April 2004	30 April 2003	% change
Total assets (before deduction of borrowings)	£692.2m	£606.6m	
Borrowings	£79.4m	£112.9m	
Equity shareholders' funds	£612.8m	£493.7m	
Net asset value per ordinary share (after deducting debentures at par)	208.0p	167.5p	24.2
Net asset value per ordinary share (after deducting debentures at market value)	203.7p	162.5p	25.4
Share price	173.0p	143.0p	21.0
FTSE World Index (in sterling terms)	240.6	208.3	15.5
Dividend per ordinary share	1.05p	1.05p	
Earnings per ordinary share	1.02p	1.04p	
Expense ratio	0.75%	0.63%	
Discount (after deducting debentures at par)	16.8%	14.6%	
Discount (after deducting debentures at market value)	15.1%	12.0%	

	Year to 30 April 2004		Year to 30 April 2003	
Year's high and low	High	Low	High	Low
Share price	178.8p	142.0p	205.3p	124.0p
Net asset value	214.9p	166.5p	224.8p	146.3p
Discount	11.4%	18.3%	6.6%	18.7%

	30 April 2004	30 April 2003
Total return per ordinary share		
Revenue	1.02p	1.04p
Capital	40.49p	(54.87p)
Total	**41.51p**	**(53.83p)**

Past performance is no guarantee of future performance.

One Year Performance

(figures rebased to 100 at 30 April 2003)

Five Year Summary

The following charts indicate how an investment in Monks has performed relative to its comparative index and its underlying net asset value over the five year period to 30 April 2004.

5 Year Total Return Performance

(figures rebased to 100 at 30 April 1999)

Discount to Net Asset Value

(plotted on a monthly basis)

Annual Net Asset Value and Share Price Total Returns

Relative Annual Net Asset Value and Share Price Total Returns (relative to the FTSE World Index total return)

Past performance is no guarantee of future performance.

highlights

- Over the year, net asset value rose by 24.2%, compared with a 15.5% rise in the FTSE World Index in sterling terms.
- Good stock picking in the UK and North America helped to achieve outperformance against the comparative index of 8.7 percentage points.
- Increased exposure to Japanese and Asian Pacific markets and the presence of gearing also made notable contributions.

Chairman's Statement

After two successive years in which our net asset value fell, it is gratifying to report that in the year to 30 April 2004 net asset value rose by 24.2% to 208.0p. This rise compares favourably with the 15.5% increase in the FTSE World Index (in sterling terms) which the Board uses as a broad comparative measure for the Company's performance.

The greater part of the return was achieved in the six months to 31 October, when our net asset value rose by 16.4% to 194.9p; in the second six months it increased by a further 6.7%. There was considerable divergence in the performance of markets in the different parts of the world. Far Eastern markets fared best with Japan up 45.0% and Pacific ex Japan up 28.8%. Europe ex UK rose by 19.9% and the UK itself by 18.3%, while the United States was the laggard with a rise of only 8.8% (all figures are capital only returns and those for overseas markets are expressed in sterling). As can be seen from the attribution table on page 12, we had good stock-picking results in the UK and North America which more than outweighed the disappointing outturn in Europe, while our additions in Japan and Asia and our gearing all made notable contributions. Although having over 40% of our portfolio in North America, the poorest performing market, may seem questionable, the FTSE World Index has a considerably higher proportion than that in North America, which helped our relative performance.

Revenue Account

Earnings per share were 1.02p, marginally lower than last year's 1.04p. The most notable positive factors were the drop in interest paid on our bank borrowings, from £1.16m in 2003 to £333,000 this year, and a £1.2m uplift in dividends on our equity holdings. On the negative side, there was a £350,000 increase in the investment management fee, reflecting the rising asset value, and lower income on our new investments in Japan than we had been receiving on our previous holdings in the UK and Europe. We also wrote off £367,000 of outstanding Italian withholding tax, which is tax deducted from dividends paid on our Italian equity holdings and which we are entitled to reclaim under the double taxation treaty between the UK and Italy. Last year we wrote off £300,000 of this tax, in respect of repayment claims which had been outstanding for more than three years. In the last twelve months we have received nothing from the Italian authorities in respect of these claims and we have now decided in consultation with our auditors that we should write off all our claims, including the most up to date. These are sums to which your Company is clearly entitled (and which may eventually be received) but the fact that we have had to write them off is a comment on the deplorable dilatoriness of the tax authorities of a fellow member of the European Union.

In view of the non-recurring nature of this write-off, we have decided to recommend an unchanged final dividend of 0.65p, even though its payment will require a small transfer from our (substantial) revenue reserve.

Investment Activity

Throughout most of the year we had a strongly optimistic view of markets, were positively geared into equities and held only minimal amounts of cash. During the first half we put £12m into Japan and £11m into Asia Pacific, which was financed by reductions in the UK, Europe and North America. In the second half of the year, we invested a further £19m in Japan, as confirmatory evidence of a

Sir Charles Nunneley
Chairman

strengthening economic recovery became more abundant, but elsewhere we became more cautious, as we felt that share valuations had become rather high in some cases and the deteriorating situation in the Middle East was causing increasing concern. We paid off our short-term bank loans in late March, financing this by a reduction in the holding of the Baillie Gifford High Yield Bond Fund and by sales of equities in all markets except Japan. As can be seen from the table on page 12, we made net sales over the year of £22.5m in the UK, £9.5m in Europe, £20.9m in North America and £6.8m in Emerging Markets. In the second half of the year we also made sales of £3m in Asia, but were net investors in that region over the full year.

The result of all this activity, and of the market movements noted above, has been a doubling of our weighting in Japan to [illegible]3% of the total, an increase from 6.9% to 9.3% in Asia Pacific and reductions in the other parts of the portfolio. By contrast, there has been little change in the sectoral weightings.

Share Rating

I noted last year that the Managers had been increasing their efforts to market our shares, both through higher spending on promotional activities and through introducing new products, such as the Children's Savings Plan. These efforts continued last year, but had less impact than either the Board or the Managers had hoped, and the proportion of our shares held by or on behalf of individuals, as set out on page 52, has not risen very significantly. On the other hand, there has been a good two way market in the shares during the year and no shares were bought in for cancellation. The Board continues to monitor this aspect of the Company's business very closely.

Directors and Corporate Governance

Corporate governance is a matter which takes up an increasing amount of time at our Board meetings, and we try to operate in accordance with the spirit of the codes which apply to us as well as to the letter of the requirements of the law and the Listing Rules. We should be glad to know to what extent the information and disclosures made on pages 26 to 32 of this report are of interest to shareholders.

Last year Edward Harley joined the Board, while Michael Sayers and Tim Shakerley retired. During the year under review we were joined by Carol Ferguson, who is a former partner in Wood Mackenzie & Co, stockbrokers and a director of the Association of Investment Trust Companies. She has considerable financial services experience, as further detailed on page 9, and I commend to you her election as a Director, which forms part of the business of the Annual General Meeting. Meanwhile, David Howell, who has been a Director since 1993, will be retiring at the AGM. His experience of politics at a high level and latterly of international finance has been of great benefit to us and we wish him well in the future. Finally, as I will be in sight of my seventieth birthday in a year's time, I have told my colleagues of my intention to retire from the Board next year.

Outlook

The world's economy is currently doing well with nearly all areas apart from the core countries of Europe enjoying strong growth with low inflation. Corporate profits are in general very good. Despite this, stockmarkets have made no overall progress since the start of the year but have been volatile and trendless. It is not hard to see reasons for this state of affairs. The occupation of Iraq has not gone well and the process of establishing an Iraqi government with legitimacy and authority will be at best extremely difficult. Increasingly frequent terrorist incidents in the Gulf region are a source of rising concern and the possibility of a supply disruption to an already tight oil market cannot be ignored. At the same time, the vigour of the economic recovery means that interest rates are starting to move up from the very low levels of the last eighteen months, and this may lead to some indigestion in the markets as speculative, debt-financed positions are liquidated.

Shares are no longer moderately cheap, as they were twelve months ago, even though many markets look reasonable enough value if estimates for profits to be earned in 2004 are actually achieved. In these circumstances, the Board and the Managers are keeping the Company's gearing levels under close review.

I look forward to seeing shareholders of the Company at the Annual General Meeting, to be held at the Institution of Electrical Engineers, Savoy Place, London on 3 August.

Charles Nunneley
16 June 2004

Directors and Management

Members of the Board come from a broad variety of backgrounds. The Board can draw on a very extensive pool of knowledge and experience. Baillie Gifford & Co, a leading UK investment management firm, who act as Managers and Secretaries to the Company has been involved in investment management since 1908.

Directors

1 Sir Charles Nunneley
Charles Nunneley, who is 68, was appointed a Director in 1977, became Chairman in 1996 and is Chairman of the Audit Committee. He is also chairman of JP Morgan Fleming Income & Capital Investment Trust plc. After qualifying as a chartered accountant he spent his working life from 1962 to 1996 at Robert Fleming, where he was in charge of investment management operations and was group deputy chairman. He has held a number of other senior positions inside and outside the financial services industry, and has been chairman of the Investment Management Regulatory Organisation, Nationwide Building Society, Edinburgh Fund Managers and The National Trust. He was knighted in 2003 for services to the heritage.

2 CC Ferguson
Carol Ferguson, who is 57, was appointed a Director in September 2003. A qualified Chartered Accountant, she began her investment career with Ivory & Sime, an Edinburgh fund management group. Thereafter she moved to Wood Mackenzie, stockbrokers, becoming a partner in 1984. Her most recent position was as Finance Director for Timney Fowler, a textiles company. She is a non-executive director and chairs the audit committees of the Dental Practice Board and Gartmore Smaller Companies Investment Trust plc. Her current non-executive appointments also include the Chartered Accountants Compensation Scheme and the Association of Investment Trust Companies.

3 JGD Ferguson
James Ferguson, who is 56, was appointed a Director in 2002. He is chairman of Value and Income Trust plc and The Scottish Oriental Smaller Companies Trust Plc and a director of The Independent Investment Trust Plc, Northern 3 VCT Plc and Edinburgh U.S. Tracker Trust. He joined Stewart Ivory in 1970, becoming chairman and chief executive in 1989 and retiring in 2000. He is a former deputy chairman of the Association of Investment Trust Companies and is a former member of the Executive Committee of the Fund Managers Association.

4 EM Harley
Edward Harley, who is 44, was appointed a Director of Monks in June 2003. He joined Cazenove in 1983, becoming a partner in 1994. He has considerable experience of overseas markets, having worked in New York and latterly with responsibility for the firm's business in Latin America, S.E. Asia and Australia. He is currently a director at Cazenove Fund Management and is deputy president of the Historic Houses Association. He is also involved with the charitable sector both as a trustee and as a member of investment committees.

1 2 3

4 5 6

5 Lord Howell

Lord Howell of Guildford, who is 68, was appointed a Director in 1993 and is the Senior Independent Director. Lord Howell is currently the Shadow Spokesman on Foreign Affairs in the House of Lords. He was previously Secretary of State in Mrs Thatcher's first Cabinet and has held numerous other political offices. He has served as a non-executive director of several companies, was a member of the International Advisory Board of the Swiss Bank Corporation from 1989 to 1996, and Advisory Director at UBS-Warburg from 1996 to 2000. He is a consultant to two leading Japanese companies, was chairman of the UK-Japan 21st Century Group from 1990 to 2001 and received the Order of the Sacred Treasure from the Emperor of Japan in 2002. He is an economist by training, also the author of three books and a regular contributor to national and international newspapers.

6 DCP McDougall

Douglas McDougall, who is 60, was appointed a Director in 1999. He is chairman of The Scottish Investment Trust plc, The Law Debenture Corporation plc, 3i Bioscience Investment Trust plc, The Independent Investment Trust PLC, Foreign & Colonial Eurotrust plc and Pacific Horizon Investment Trust PLC. From 1969 to 1999 he was a partner in Baillie Gifford & Co and from 1989 to 1999 was joint senior partner and chief investment officer. He is a former Chairman of the Investment Management Regulatory Organisation, the Fund Managers' Association and the Association of Investment Trust Companies.

All Directors are members of the Audit Committee.

Managers and Secretaries

Monks is managed by Baillie Gifford & Co, an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust groups in the UK and currently manages eight investment trusts. Baillie Gifford also manages unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £28 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 27 partners and a staff of over 400.

The manager of Monks' portfolio is Richard Burns, a senior partner of Baillie Gifford. Stock selection is primarily the responsibility of specialist teams covering all the regions of the world.

The firm of Baillie Gifford & Co is authorised and regulated by the Financial Services Authority.

Managers' Overview

The year to April 2004 was one of the best years for absolute returns in the last decade and we were able to add to the returns available from the markets through both asset allocation and stock selection. Our use of gearing also contributed significantly to the year's results. The outcome was that our performance was well ahead of our main comparative index, the FTSE World (in sterling terms). Performance was, however, less striking when compared with other investment trusts; over the year we were again just in the top half of the Global Growth sector of AITC members and were fifth of the ten largest generalist trusts (those with assets over £500 million).

The table on page 12 shows that we had a reasonable year for stock selection, with notably good results in North America and the UK more than offsetting a poor outcome in Europe. On the asset allocation side we benefited from our increasing weighting in the Far East and our having less than the comparative index in North America. The biggest single contributory factor was our positive gearing. The return of 12.9% on our bond investments, although a poor result compared with equities, is a reasonable outcome in a year in which investment grade bonds returned less than their coupons.

Returns From Markets

for the year ended 30 April 2004

Geographical performance* against FTSE World Index in local currency

Performance Attribution for the year to 30 April 2004

Computed relative to the FTSE World Index (in sterling terms) with net income reinvested.

Performance Attribution (in sterling terms)

Portfolio breakdown	Index allocation 30.04.03 %	Index allocation 30.04.04 %	Monks asset allocation 30.04.03 %	Monks asset allocation 30.04.04 %	Performance* Monks %	Performance* Index %	Contribution to relative return %	Contribution attributable to: Stock selection %	Contribution attributable to: Asset† allocation %
UK	10.5	10.0	29.6	25.0	25.1	19.3	1.6	1.4	0.2
Europe ex. UK	18.1	17.9	16.5	13.3	14.0	23.0	(1.3)	(1.2)	(0.1)
North America	58.0	55.2	47.3	40.5	17.5	11.1	3.2	2.4	0.8
Japan	7.1	9.4	8.0	14.8	41.1	46.7	0.1	(0.4)	0.5
Asia Pacific	5.0	6.0	8.5	10.6	35.1	32.8	0.7	0.1	0.6
Other Emerging Markets	1.3	1.5	2.9	1.6	36.2	40.4	0.1	–	0.1
Bonds	–	–	9.5	5.4	12.9	–	(0.4)	–	(0.4)
Cash	–	–	0.7	1.9	3.0	–	(0.2)	–	(0.2)
Borrowings	–	–	(23.0)	(13.1)	2.1	–	3.0	–	3.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**26.2**	**17.9**	**7.0**	**2.4**	**4.5**

Past performance is no guarantee of future performance.

Source: HSBC/Baillie Gifford & Co

* The above returns are calculated on a total return basis with net income reinvested. Monks' figures represent returns on the Company's portfolio and the index figures for each geographical area represent the return on the appropriate FTSE World Index.

Contributions cannot be added together, as they are geometric; for example, to calculate how a return of 26.2% against an index return of 17.9% translates into a relative return of 7.0%, divide the portfolio return of 126.2 by the index return of 117.9 and subtract one.

† Asset allocation includes the contribution attributable to currency movements.

Investment Changes (£'000)

	Valuation at 30 April 2003	Net acquisitions (disposals)	Appreciation (depreciation)	Valuation at 30 April 2004
Equities*:				
UK	140,820	(22,504)	29,226	147,542
Continental Europe	81,347	(9,471)	9,677	81,553
North America	238,097	(20,909)	37,078	254,266
Japan	39,745	31,171	19,405	90,321
Asia Pacific	41,880	7,898	14,888	64,666
Other Emerging Markets	14,387	(6,842)	2,510	10,055
Total equities	556,276	(20,657)	112,784	648,403
Bonds:				
UK	44,933	(16,900)	3,130	31,163
Continental Europe	1,728	17	(55)	1,690
Total bonds	46,661	(16,883)	3,075	32,853
Total investments	602,937	(37,540)	115,859	681,256
Net liquid assets	3,667	6,854	382	10,903
Total assets	**606,604**	**(30,686)**	**116,241**	**692,159**

The figures above for total assets are made up of total net assets before deduction of borrowings.

* Equities includes limited partnerships and OEICs.

Distribution of Portfolio

Thirty Largest Equity Holdings

Name	Country	Business	Market value £'000	% of total assets
Baillie Gifford Pacific Fund	Asia Pacific	Investment fund	46,402	6.7
Golden West Financial	North America	Savings and loans	23,708	3.4
Suncor Energy	North America	Oil company	20,112	2.9
Moody's	North America	Bond rating agency	18,188	2.6
Vodafone	United Kingdom	Mobile telecommunication services	18,144	2.6
Altria	North America	Tobacco and food	17,175	2.5
Burlington Resources	North America	Natural gas	13,656	2.0
GlaxoSmithKline	United Kingdom	Pharmaceuticals	11,693	1.7
Omnicom	North America	Advertising agency	11,209	1.6
Barclays	United Kingdom	Banking	10,647	1.5
Pfizer	North America	Pharmaceuticals	10,082	1.5
Total Fina Elf	Europe	Integrated oil	9,471	1.4
Aberforth Limited Partnership	United Kingdom	Active value fund	9,401	1.4
Royal Bank of Scotland	United Kingdom	Banking	9,312	1.3
Mohawk Industries	North America	Carpets	8,700	1.3
EOG Resources	North America	Natural gas	8,331	1.2
Eli Lilly	North America	Pharmaceuticals	8,324	1.2
Freddie Mac	North America	Mortgages	8,233	1.2
HSBC	United Kingdom	Banking	7,676	1.1
Wellpoint	North America	Managed care	7,558	1.1
Petrobras	Other Emerging Markets	Integrated oil company	7,545	1.1
Automatic Data Process	North America	Payroll processing	7,411	1.1
Baillie Gifford British Smaller Companies Fund	United Kingdom	Small companies fund	7,177	1.0
UFJ	Japan	Banking	6,841	1.0
Walgreen	North America	Pharmacy chain	6,805	1.0
State Street	North America	Custodian Bank	6,604	1.0
Wyeth	North America	Pharmaceuticals	6,440	0.9
Asahi Glass	Japan	Glass	6,344	0.9
BHP Billiton	Asia Pacific	Diversified resources	6,307	0.9
Ericsson	Europe	Telecommunications equipment	5,941	0.9
			345,437	**50.0**

Classification of Investments

Classification	UK %	Continental Europe %	North America %	Japan %	Asia Pacific %	Other Emerging Markets %	2004 Total %	2003 Total %
Mining	–	–	–	–	0.9	0.4	1.3	0.4
Oil and gas	0.3	1.4	6.1	–	0.7	1.1	9.6	10.5
Resources	0.3	1.4	6.1	–	1.6	1.5	10.9	10.9
Chemicals	0.5	–	–	0.9	–	–	1.4	1.1
Construction and building materials	0.9	0.5	–	0.9	–	–	2.3	2.9
Diversified industrials	–	–	–	0.7	–	–	0.7	–
Electronic and electrical equipment	–	0.5	–	2.4	–	–	2.9	1.1
Engineering and machinery	–	0.9	–	–	–	–	0.9	0.5
Industrials	1.4	1.9	–	4.9	–	–	8.2	5.6
Automobiles	–	0.9	–	1.7	–	–	2.6	1.2
Beverages	0.9	–	0.6	–	0.3	–	1.8	1.7
Household goods and textiles	–	–	0.6	–	–	–	0.6	0.2
Food producers and processors	–	0.3	0.6	–	–	–	0.9	0.6
Healthcare and pharmaceuticals	2.0	0.5	5.4	0.6	–	–	8.5	11.8
Personal care and household products	–	0.4	1.3	–	–	–	1.7	1.0
Tobacco	1.8	–	2.5	–	0.4	–	4.7	5.5
Consumer Goods	4.7	2.1	11.0	2.3	0.7	–	20.8	22.0
Retailers	–	0.8	2.2	1.0	–	–	4.0	3.9
Leisure and hotels	0.6	–	0.5	–	–	–	1.1	0.8
Media and entertainment	0.2	0.5	2.2	–	–	–	2.9	3.1
Support services	0.5	0.4	1.0	–	–	–	1.9	1.3
Transport	0.1	0.3	–	0.6	–	–	1.0	1.1
Telecommunication services	2.6	–	–	0.6	–	–	3.2	5.0
Services and Utilities	4.0	2.0	5.9	2.2	–	–	14.1	15.2
Banks	5.0	2.1	0.5	1.0	0.3	–	8.9	7.8
Insurance	0.2	0.4	2.0	–	–	–	2.6	4.0
Life assurance	0.6	–	–	–	–	–	0.6	0.7
Investment companies	3.1	–	0.8	0.7	6.7	–	11.3	0.5
Real estate	0.9	–	–	–	–	–	0.9	11.1
Other financial	0.8	–	8.8	1.6	–	–	11.2	8.9
Financials	10.6	2.5	12.1	3.3	7.0	–	35.5	33.0
Information technology hardware	–	1.4	–	0.3	–	–	1.7	2.5
Software and computer services	0.4	0.5	1.6	–	–	–	2.5	2.5
Information Technology	0.4	1.9	1.6	0.3	–	–	4.2	5.0
Total Equities*	**21.4**	**11.8**	**36.7**	**13.0**	**9.3**	**1.5**	**93.7**	
Total Equities* – 2003	23.3	13.6	39.0	6.5	6.9	2.4		91.7
Bonds	4.5	0.2	–	–	–	–	4.7	7.7
Net Liquid Assets	0.2	0.4	0.6	0.4	–	–	1.6	0.6
Total Assets (before deduction of borrowings)	**26.1**	**12.4**	**37.3**	**13.4**	**9.3**	**1.5**	**100.0**	
Total Assets – 2003	30.9	14.2	39.1	6.5	6.9	2.4		100.0
Borrowings	(11.5)	–	–	–	–	–	(11.5)	(18.6)
Equity Shareholders' Funds	**14.6**	**12.4**	**37.3**	**13.4**	**9.3**	**1.5**	**88.5**	
Equity Shareholders' Funds – 2003	17.8	14.2	35.4	4.7	6.9	2.4		81.4
Number of equity investments*	**38**	**27**	**33**	**25**	**6**	**2**	**131**	138

* Equities includes limited partnerships and OEICs.

1 BOC

BOC provides gases to a wide range of industrial and medical customers. Picture courtesy of BOC.

2 British Land

British Land's Meadowhall is one of the largest and most successful shopping centres in the UK. Picture courtesy of British Land.

United Kingdom

1

2

The market rally which began in March 2003 continued throughout the Company's year and the FTSE World UK index returned 19.3%, the first positive return after four years of declines, while our portfolio again outperformed by a healthy margin, returning 25.1%. In part the recovery simply reflects the unwinding of some of those technical pressures, principally forced selling by life insurers and pension funds, which so depressed the UK market last spring but the stronger than expected global economy also played its part. While much of the world has moved from slump to renewed growth, the UK economy has continued to grow at close to trend rates, with modest inflation. Growth in Government spending has been a major factor in the economy's resilience and ought to offset any softening in consumer demand but the industrial sector is also beginning to show some early signs of renewed life. The Bank of England has begun to raise interest rates from a 50 year low point and we anticipate further modest increases. Against this background a boom appears unlikely and we expect a continuation of steady growth with modest inflation but with the risks perhaps now tilted more towards slowdown than acceleration.

We continue to focus on companies with secure and visible growth (and reliable accounts) which should make healthy progress whatever the economic background. Turnover within the portfolio was modest during the year, with the only significant new purchase being BOC but we were more active on the sell side, making net sales of over £22m from the UK to fund purchases elsewhere in the world. A notable example was the sale of BP, which followed the disposal of Shell the previous year, with the proceeds being switched into emerging market oil stocks with greater growth prospects and significantly lower valuations. Other sales included BSkyB, Lloyds TSB and Aviva while we also reduced our large positions in three highly successful investments, Wolseley, Man Group and Diageo. As a result the proportion of the fund invested in the UK fell from 23.3% to 21.4%.

At current levels the UK market offers relatively secure growth and attractive long term value although share prices have risen further than is justified by the modest improvement in near term profit expectations and valuations now look reasonable rather than outstanding. We remain confident that our portfolio consists of good quality and strong companies.

1 SKF

Assembly of large size spherical roller bearing. Picture courtesy of SKF.

2 ABB

New counter-rotating Azipod Podded propulsion. The latest extension of the Azipod family is the Contra Rotating Azipod Propulsion (CRP) unit, which extends the concept to high power applications like ultra-large container vessels and ferries crossing the Baltic Sea and English Channel. Picture courtesy of ABB.

Continental Europe

1

2

European stockmarkets provided a good absolute return in the year to April 2004, gaining 23.0% in sterling terms. We are disappointed to report that Monks' European portfolio underperformed the broad index by a considerable margin, gaining only 14.0%. The Company's investment in European equities fell during the year, to around 13% of total assets.

European companies benefited from the better global economic conditions although the stimulus for higher revenue and profitability came predominantly from outside continental Europe. The core countries of Europe continued to experience GDP growth well below both the global average and their own potential. Exports grew strongly but consumer demand remained very patchy. There is clearly a connection between the lack of self-sustaining domestic consumption growth in Europe and the society-wide reforms that have to be undertaken. In such an environment it is not surprising that individuals prefer to build up savings against an uncertain future.

Market conditions at the start of the year were characterised by very high levels of liquidity as central banks made a co-ordinated effort to prevent deflation taking hold. Interest rates were pushed to very low levels, credit spreads tightened considerably and investors' risk tolerance increased dramatically. Companies that had previously been struggling with weak balance sheets were, as a result, able to refinance themselves with fresh debt and equity. We were slow to comprehend the effect that this easier availability of capital would have on the share prices of such companies. Our bias towards investing in the stronger and more profitable European growth companies proved unhelpful in this environment.

We did have some success investing in corporate turnarounds in cases where the underlying business was strong and the prospects for growth were attractive. Media conglomerate Vivendi Universal, electrical equipment company ABB and, in particular, telecoms equipment company Ericsson provided positive returns in this context.

The European part of the Company's portfolio contains a number of companies that will benefit from further demand for capital goods from a corporate sector that is currently enjoying record levels of profitability and cash flow. SAP, Atlas Copco, SKF and ABB fall into this group. We also have significant holdings in European luxury goods companies such as Hermes, Porsche, BMW and L'Oreal, on the basis that their exceptional profitability will be maintained whilst their customer base in both the developed and developing world continues to expand.

1 Sherwin-Williams

A typical interior of a Sherwin-Williams paint store. Picture courtesy of Sherwin-Williams.

2 Mohawk Industries

Mohawk is a leading manufacturer and distributor of floor coverings. Picture courtesy of Mohawk Industries.

North America

1

2

In the year under review the S&P 500 rose by about 11% in sterling terms. The Company's North American stocks comfortably bettered this, rising by over 17%.

Three factors contributed to the good relative performance. First, Altria's share price rebounded sharply, as news improved about the pricing and litigation background for its US cigarette subsidiary. Headline litigation risk and the associated short term share price volatility may never disappear. However, we continue to believe its shares are cheap given its cash generation and secure growth outlook. Second, the oil price remained high, which provided a beneficial operating environment for the company's large oil and gas holdings. Finally, Golden West, the Company's largest individual stock investment, continued to trade well. In our view the growth prospects of this adjustable-rate mortgage lender are substantially undervalued by the market.

A couple of significant additions were made to existing holdings. Moody's is one of the two dominant global debt ratings agencies. We regard this exceptional business as a cash royalty on the growth of international debt markets, and are also attracted by management's commitment to eschew diversification in favour of share buybacks. Mohawk is a leading US producer and distributor of floor coverings. We like management's astute investment of the group's free cash flow, and the low valuation of the shares.

While annual investment reports tend to focus on what has changed over the past twelve months, it is important to note that in our view three features remain largely unaltered. First, we still believe that the excesses of the late 1990s have yet to be completely unwound. One result of this is the generous valuation of most North American companies, especially once proper account is made for option expenses, optimistic pension fund assumptions, and recurring restructuring charges. Second, the Company's North American investments have changed little compared to a year ago, as the underlying businesses continue to trade well, and we believe their prices remain attractive. Third, the characteristics of the Company's North American stocks are substantially different from the index: they have cleaner accounts, higher profitability, and trade on lower multiples of profits. How others value their prospects in any single year is unpredictable, but over time we expect their collective operating characteristics to produce superior returns.

1 Asahi Glass
Asahi Glass is a leader in the production of glass for flat panel television sets. Picture courtesy of Asahi Glass.

2 Canon
Canon's colour photocopiers such as this machine continue to attract new users. Picture courtesy of Canon.

Japan

1

2

Having fallen to their lowest levels in two decades, Japanese equities produced one of the higher returns of developed markets during the Company's fiscal year. The TOPIX index, for example, which is a broad index of Japanese shares, rose by 19% in yen terms over the year, although light yen weakness versus the pound did reduce the sterling return. Our portfolio did less well than this, though it was nevertheless one of the main contributors to our overall return.

he economy grew at a moderate pace ast year, helped by overseas demand and omestic business investment, as well as by urther improvement in the industrial roduction cycle. Labour market conditions ave also strengthened, and private onsumption has continued to expand.

n interesting question for investors in pan is whether the period of falling rices that followed the speculative property bubble of the 1980s may be ending. There are encouraging signs. Consumer prices appear to be stabilising, as are property prices in certain areas. Deflationary pressures in the Japanese economy have produced challenging conditions for many businesses in recent years, limiting the options for companies facing higher labour costs, increasing the burden on the most indebted, and hampering the banking sector's attempts to resolve bad debt problems.

We are encouraged by the signs of improvement, and have increased the Company's investment in Japan during the year. The holdings are of two types. In the first category are businesses with excellent market positions such as Toyota Motor, Canon, and the less prominent Kao, which makes a range of consumer products. Such companies have been managed efficiently for years and we believe that they represent the best of Japan's manufacturing sector. These businesses continue to expand and we believe that their shares should produce satisfactory returns over time. However, the attractions of such businesses are generally understood and valuation levels tend to reflect their strengths. Japan is also home to companies that boast less successful track records but have the potential for profitability to be transformed. Such companies comprise the second category of holding. For example, we purchased a stake in department store Takashimaya during the year. Takashimaya's operating performance has been unimpressive for many years, but we are heartened by the management team's recent endeavours to reduce costs. Needless to say, shares in businesses such as these tend to sell at much lower valuation levels versus their sales, assets and potential profits. We will continue to search for similar situations in Japan in the future.

l Foster's

\dvertising for their new product, ɔink sparkling wine. Picture :ourtesy of Foster's.

2 CNOOC

New offshore well goes into production. Picture courtesy of CNOOC.

Asia Pacific and Other Emerging Markets

1

2

ı the year to 30 April 2004 the FTSE Asia 'acific ex Japan Free index rose by 32.8% ı sterling terms, and the FTSE All World merging Markets index also rose strongly, y 40.4%. The Company's holdings in ıese regions made a positive contribution ɔ performance, primarily as a result of the ubstantial overweight position in the Asia acific region. The largest single holding emains the Baillie Gifford Pacific Fund, to hich we made a small further addition uring the year. The Pacific Fund returned 8.0%. Net investment in Asia Pacific and merging Markets for the year amounted to 1.1m.

lonetary conditions were very easy roughout the year, which gave strong upport for Asian markets. The Chinese conomy grew very strongly, driving emand for commodities, including oil. ices of raw materials rose strongly, setting e tone for the outperformance of heavy dustrial sectors, as shortages appeared in many items from electricity to shipping. The combination of cheap money and a seductive growth story brought in heavy flows of speculative capital, causing a degree of excess in some of the more exotic markets. Our holdings in Petrobras and Chinese offshore company CNOOC both made strong contributions, but our more defensive direct holdings, particularly in tobacco and brewing, underperformed. Within domestic economies, most notably Hong Kong, there have been encouraging signs that the crushing deflation of recent years may be abating. This improves the investment potential of a number of companies, and the balance of the Pacific Fund's portfolio has been altered to reflect these new opportunities.

By Christmas there were some fears that bond markets were discounting too little risk, and it was becoming clear that the Chinese engine of growth was in danger of becoming a runaway train. Looking forward, it seems likely that interest rates will be on the rise and that China will be growing at a less heady rate than in 2003 and early 2004. The current year may therefore be more difficult, but we believe that on a longer view this remains a very attractive area for investment.

Classification	Name	Business	Market value £'000	%
United Kingdom				
Oil and gas	BG	Exploration and production	2,169	0.3
Chemicals	BOC	Industrial gases supplier	3,626	0.5
Construction and building materials	Bovis Homes	House builder	1,420	
	Wolseley	Builders' merchant	4,959	
			6,379	0.9
Beverages	Allied Domecq	Branded spirits	1,925	
	Diageo	Branded spirits	4,009	
			5,934	0.9
Healthcare and pharmaceuticals	GlaxoSmithKline	Pharmaceuticals	11,693	
	Shire Pharmaceuticals	Pharmaceuticals	1,817	
			13,510	2.0
Tobacco	British American Tobacco	Tobacco	5,198	
	Gallaher	Tobacco	2,263	
	Imperial Tobacco	Tobacco	4,971	
			12,432	1.8
Leisure and hotels	Carnival	Cruise ship operator	3,987	0.6
Media and entertainment	Trinity Mirror	Newspaper publisher	763	
	Taylor Nelson Sofres	Market research	436	
			1,199	0.2
Support services	Capita	Support services	1,352	
	Hays	Personnel and business services	1,806	
	Premier Farnell	Distributor of electronic components	593	
			3,751	0.5
Transport	easyJet	Airline	680	0.1
Telecommunication services	Vodafone	Mobile telecommunication services	18,144	2.6
Banks	Barclays	Banking	10,647	
	EGG	Internet banking	2,480	
	HSBC	Banking	7,676	
	Northern Rock	Mortgage banking	1,271	
	Royal Bank of Scotland	Banking	9,312	
	Standard Chartered	Banking	3,335	
			34,721	5.0
Insurance	Beazley	Lloyd's insurer	531	
	Jardine Lloyd Thompson	Insurance broker	596	
			1,127	0.2
Life assurance	Prudential	Life assurance	3,987	0.6
Investment companies	*Aberforth Limited Partnership	Active value fund	9,401	
	Baillie Gifford British Smaller Companies Fund	Small companies fund	7,177	
	Candover	Venture capital investment trust	2,358	
	Standard Life European Private Equity Fund	Private equity fund	2,308	
			21,244	3.1

*denotes unlisted securities.

Classification	Name	Business	Market value £'000	%
United Kingdom (continued)				
Real estate	British Land	Property	4,546	
	Hammerson	Property	1,736	
			6,282	0.9
Other financial	Intermediate Capital Group	Mezzanine finance provider	1,192	
	Man Group	Hedge fund manager	4,068	
			5,260	0.8
Software and computer services	Sage	Small business software	3,110	0.4
Total United Kingdom Equities			**147,542**	**21.4**
Continental Europe				
Oil and gas	Total Fina Elf	Integrated oil – France	9,471	1.4
Construction and building materials	CRH	Building materials – Ireland	3,677	0.5
Electronic and electrical equipment	ABB	Electrical equipment – Switzerland	3,321	0.5
Engineering and machinery	Atlas Copco	Engineering – Sweden	3,837	
	SKF	Ball bearing company – Sweden	1,981	
			5,818	0.9
Automobiles	BMW	Automobiles – Germany	4,217	
	Porsche	Automobiles – Germany	1,672	
			5,889	0.9
Food producers and processors	Pernod-Ricard	Spirits producer – France	2,165	0.3
Healthcare and pharmaceuticals	Sanofi-Synthelabo	Pharmaceuticals – France	3,546	0.5
Personal care and household products	L'Oreal	Personal care – France	2,492	0.4
Retailers	Adidas-Salomon	Sporting goods manufacturer – Germany	1,749	
	Inditex	Fashion retailer -Spain	1,691	
	Hermes	Luxury goods – France	2,130	
			5,570	0.8
Media and entertainment	Vivendi Universal	Telecom and media group – France	3,285	0.5
Support services	Adecco	Recruitment agency – Switzerland	2,485	0.4
Transport	Ryanair	Budget airline – Ireland	2,094	0.3
Banks	Allied Irish Banks	Retail and commercial bank – Ireland	2,471	
	Banco Popular	Retail and commercial bank – Spain	1,834	
	Danske Bank	Retail and commercial bank – Denmark	2,081	
	Deutsche Bank	Retail,corporate and investment bank – Germany	3,321	
	UBS	Investment and private banking – Switzerland	3,097	
	Unicredito Italiano	Retail and commercial bank – Italy	1,947	
			14,751	2.1
Insurance	Aegon	Insurance – Netherlands	1,275	
	RAS	Insurance – Italy	1,687	
			2,962	0.4
Information technology hardware	Ericsson	Telecommunication equipment – Sweden	5,941	
	Nokia	Telecommunication equipment – Finland	4,536	
			10,477	1.4
Software and computer services	SAP	Business software – Germany	3,550	0.5
Total Continental European Equities			**81,553**	**11.8**

Classification	Name	Business	Market value £'000	%
North America				
Oil and gas	Burlington Resources	Natural gas	13,656	
	EOG Resources	Natural gas	8,331	
	Suncor Energy	Oil company – Canada	20,112	
			42,099	6.1
Beverages	Pepsico	Soft drink and food business	3,841	0.6
Household goods and textiles	Sherwin-Williams	Paint manufacturer and retailer	4,291	0.6
Food producers and processors	William Wrigley	Chewing gum	3,855	0.6
Healthcare and pharmaceuticals	Eli Lilly	Pharmaceuticals	8,324	
	Pfizer	Pharmaceuticals	10,082	
	Patterson Dental	Dental products and supplies	4,984	
	Wellpoint	Managed care	7,558	
	Wyeth	Pharmaceuticals	6,440	
			37,388	5.4
Personal care and household products	Mohawk Industries	Carpets	8,700	1.3
Tobacco	Altria	Tobacco and food	17,175	2.5
Retailers	Tiffany	Jeweller	3,959	
	TJX	Off-price clothing	4,156	
	Walgreen	Pharmacy chain	6,805	
			14,920	2.2
Leisure and hotels	Wendy's	Restaurants	3,299	0.5
Media and entertainment	Dow Jones	Business news provider	2,599	
	Getty Images	Internet based image library	3,079	
	Omnicom	Advertising agency	11,209	
			16,887	2.2
Support services	H&R Block	Tax and financial services	2,544	
	Iron Mountain	Document Management	4,491	
			7,035	1.0
Banks	M&T Bank	Banking	3,595	0.5
Insurance	Berkshire Hathaway	Insurance	4,045	
	Marsh & McLennan	Insurance and fund management	4,578	
	Progressive Corporation	Insurance	4,935	
			13,558	2.0
Investment companies	Hiscox Insurance Fund	Global insurance fund	5,894	0.8
Other financial	Freddie Mac	Mortgages	8,233	
	Golden West Financial	Savings and loans	23,708	
	Moody's	Bond rating agency	18,188	
	State Street	Custodian bank	6,604	
	T Rowe Price	Fund management	4,049	
			60,782	8.8
Software and computer services	Automatic Data Process	Payroll processing	7,411	
	Microsoft	Software	3,536	
			10,947	1.6
Total North American Equities			**254,266**	**36.7**

Classification	Name	Business	Market value £'000	%
Japan				
Chemicals	Konica	Office equipment and imaging	3,568	
	Shin-Etsu Chemical	Semi-conductor silicon and PVC	2,491	
			6,059	0.9
Construction and building materials	Asahi Glass	Glass	6,344	0.9
Diversified Industrials	Mitsui	Diversified trading house	4,599	0.7
Electronic and electrical equipment	Alps Electric	Electronic components	2,088	
	Brother	Office Equipment	3,153	
	Canon	Copiers and cameras	4,290	
	Keyence	Sensors	2,532	
	Kyocera	Electronic equipment and components	4,572	
			16,635	2.4
Automobiles	Bridgestone	Global tyre producer	3,523	
	Honda Motor	Automobile & motorcycle manufacturer	1,976	
	Toyota Motor	Car manufacturer	5,886	
			11,385	1.7
Healthcare and pharmaceuticals	Kao	Household goods	4,120	0.6
Retailers	Takashimaya	Department store chain	2,870	
	Yamada Denki	Consumer electronics retailer	4,067	
			6,937	1.0
Transport	Tokyu	Rail and property	3,919	0.6
Telecommunication services	NTT	Telecommunications	2,558	
	NTT DoCoMo	Mobile telecommunications	1,475	
			4,033	0.6
Banks	UFJ	Bank	6,841	1.0
Investment companies	Baillie Gifford Japanese Smaller Companies Fund	Investment fund	5,025	0.7
Other financial	*MAC Japan Active Shareholder Fund Limited Partnership	Shareholder activist fund	4,784	
	Mitsui Sumitomo	Insurance company	3,727	
	Promise	Consumer finance	2,831	
			11,342	1.6
Information technology hardware	Rohm	Specialist semiconductors	3,082	0.3
Total Japanese Equities			**90,321**	**13.0**

*denotes unlisted securities.

Classification	Name	Business	Market value £'000	%
Asia Pacific				
Mining	BHP Billiton	Diversified resources – Australia	6,307	0.9
Oil and gas	CNOOC	Oil and gas exploration – China	4,705	0.7
Beverages	Foster's	Beverages – Australia	1,991	0.3
Tobacco	BAT Malaysia	Tobacco – Malaysia	3,027	0.4
Banks	Australia and New Zealand Banking	Banking – Australia	2,234	0.3
Investment companies	Baillie Gifford Pacific Fund	Investment fund – Asia	46,402	6.7
Total Asia Pacific Equities			**64,666**	**9.3**
Other Emerging Markets				
Mining	Anglo American Platinum	Platinum mining – South Africa	2,510	0.4
Oil and gas	Petrobras	Integrated oil company – Brazil	7,545	1.1
Total Other Emerging Markets Equities			**10,055**	**1.5**
Total Equity Investments			**648,403**	**93.7**
Fixed Interest				
Sterling denominated	Baillie Gifford High Yield Bond Fund		17,252	
	Bank of Scotland (SAMS) 2072		11,976	
	Cairngorm Ltd VR 2015		1,935	
			31,163	4.5
Euro denominated	Europa Two 14% 2027		1,690	0.2
Total Fixed Interest			**32,853**	**4.7**
Total Investments			**681,256**	**98.4**
Net Liquid Assets			**10,903**	**1.6**
Total Assets at Market Value (before deduction of borrowings)			**692,159**	**100.0**

Capital

At 30 April	Total assets £'000	Borrowings £'000	Equity shareholders' funds £'000	Equity shareholders' funds per share p	NAV per share* p	Share price p	Discount† %
1994	499,011	40,000	459,011	118.3	118.3	107.0	9.6
1995	584,020	140,000	444,020	114.4	114.4	104.2	8.9
1996	596,525	40,000	556,525	143.4	143.4	120.6	15.9
1997	639,232	40,000	599,232	154.5	154.5	129.2	16.4
1998	759,684	40,000	719,684	185.5	185.5	157.9	14.9
1999	855,290	79,223	776,067	202.0	201.8	171.0	15.3
2000	926,450	108,373	818,077	241.3	241.0	201.9	16.2
2001	866,759	110,269	756,490	247.9	247.7	219.2	11.5
2002	786,628	110,237	676,391	221.7	221.5	195.3	11.8
2003	606,604	112,917	493,687	167.7	167.5	143.0	14.6
2004	**692,159**	**79,386**	**612,773**	**208.2**	**208.0**	**173.0**	**16.8**

* Net asset value (NAV) per share has been calculated after deducting prior charges at par value (see note 19, page 48).

† Discount is the difference between Monks' quoted share price and its underlying net asset value.

Revenue / Gearing Ratios

Year to 30 April	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per share‡ p	Dividend per share (net) p	Expense ratio§ %	Gearing Ratios: Actual gearing¶	Gearing Ratios: Potential gearing‖
1994	15,468	5,898	1.52	1.40	0.24	90	109
1995	21,684	8,572	2.21	1.50	0.34	81	132
1996	21,515	10,120	2.61	1.94	0.34	83	107
1997	19,612	9,577	2.47	1.94	0.31	91	107
1998	19,663	9,492	2.45	1.94	0.44	83	106
1999	22,066	10,138	2.61	1.94	0.37	81	110
2000	17,560	5,070	1.38	1.94	0.63	88	113
2001	20,758	5,894	1.83	1.80	0.70	92	115
2002	18,497	4,909	1.61	1.60	0.54	97	116
2003	15,646	3,060	1.04	1.05	0.63	113	123
2004	**15,611**	**3,001**	**1.02**	**1.05**	**0.75**	**106**	**113**

‡ The calculation of earnings per share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue (see note 8, page 43).

§ Ratio of total operating costs to average shareholders' funds.

¶ Total assets (including all debt used for investment purposes) less all cash and fixed interest securities (excluding convertibles) divided by shareholders' funds.

‖ Total assets (including all debt used for investment purposes) divided by shareholders' funds.

Cumulative Performance (taking 1994 as 100)

At 30 April	NAV per share	NAV total return††	Share price	Share price total return††	Comparative index	Index total return††	Earnings per share	Dividend per share (net)	Retail price index
1994	100	100	100	100	100	100	100	100	100
1995	97	98	97	99	101	103	145	107	103
1996	121	125	113	117	125	131	172	139	106
1997	131	137	121	128	124	132	163	139	108
1998	157	167	148	159	152	166	161	139	113
1999	171	185	160	175	180	199	172	139	115
2000	204	222	189	209	206	231	91	139	118
2001	209	231	205	229	191	217	120	129	120
2002	187	208	183	206	160	185	106	114	122
2003	142	159	134	152	123	145	68	75	126
2004	**176**	**199**	**162**	**186**	**142**	**171**	**67**	**75**	**129**
Compound annual returns									
5 year	0.6%	1.5%	0.2%	1.2%	(4.6)%	(2.9)%	(17.1)%	(11.6)%	2.4%
10 year	5.8%	7.1%	4.9%	6.4%	3.6%	5.5%	(3.9)%	(2.8)%	2.6%

†† Source: Thomson Financial Datastream.

All per share figures prior to 2002 have been restated for the five for one share split in July 2001.

Past performance is no guarantee of future performance.

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 30 April 2004.

Review of Activities

During the year under review the Company as followed the normal activities of an nvestment 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 .65p per ordinary share which, together with the interim already paid, makes a total of 1.05p for the year.

approved, the recommended final dividend on the ordinary shares will be paid on August 2004 to shareholders on the register at the close of business on 16 July 2004.

After payment of the dividend the accumulated revenue balance is decreased by £90,000 to £17,098,000.

Status

The Company carries on business as an investment trust. It was approved by the Inland Revenue as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year ended 30 April 2002. For the year ended 30 April 2003 the Company has received approval under section 842 subject to matters that may arise from any subsequent enquiry by the Inland Revenue into the Company's tax return. In the opinion of the Directors the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval and it will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

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

Corporate Governance

Compliance

The Board has considered the principles set out in the 1998 Combined Code (the '1998 Code') and has also considered the revised Combined Code on Corporate Governance (the 'revised Code') and the AITC Code on Corporate Governance (the 'AITC Code'), both of which were published in July 2003. The Board believes that the Company's current practice, given the special circumstances of an investment trust company, is in all material respects, consistent with the principles of the 1998 Code and that it has taken the necessary steps to comply with the principles of the revised Code that are relevant to it. The Company has complied throughout the year under review with the provisions set out in Section 1 of the 1998 Code which are relevant to it (unless otherwise stated below).

The Board is also adhering to the principles and recommendations of the AITC Code except that it does not disclose Directors' shareholdings in companies where the Company has a notifiable stake or where the holding represents 1% or more of the total value of the portfolio.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters reserved for its approval including strategy, investment policy, borrowings, treasury matters, dividend and corporate governance policy. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities. The Board also reviews the financial statements, investment transactions, revenue budgets and performance.

Under the provisions of the Company's Articles, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. The articles also require that one third of the Directors retire by rotation and submit themselves for re-election at least once every three years. The Board has resolved further that any Director who has served on the Board for more than nine years will submit himself for re-election annually.

New Directors appointed to the Board have a formal induction meeting with the Manager. Directors will receive other relevant training as necessary.

There is an agreed procedure for Directors to seek independent professional advice if necessary at the company's expense. The Company also maintains Directors' and Officers' Liability insurance.

The number of meetings of the Board and the Audit Committee during the year and the attendance of the individual Directors at those meetings is shown in the following table.

	Board	Audit Committee
Number of meetings	**6**	**2**
Sir Charles Nunneley	6	2
CC Ferguson	4	1
JGD Ferguson	6	2
EM Harley	6	2
Lord Howell	6	2
DCP McDougall	6	2
MB Sayers	2	1
CFE Shakerley	–	–

Mr MB Sayers attended all the meetings held up to the date of his retiral and Ms CC Ferguson attended all the meetings held since her appointment. Due to ill health, Mr CFE Shakerley was unable to attend the meetings held prior to his retiral.

The Board currently comprises six Directors all of whom are non-executive and are considered to be independent. The executive responsibilities for investment management have been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and in the context of a Board consisting entirely of non-executive Directors there is no chief executive officer.

Mr McDougall was a senior partner of Baillie Gifford & Co until he retired on 30 April 1999. He is also a director of Pacific Horizon Investment Trust plc which is managed by Baillie Gifford & Co. The Board believes that this does not affect Mr McDougall's independence and that he is independent in character and judgement and there are no relationships or circumstances that are likely to affect his judgement. Sir Charles Nunneley, having served on the Board for more than nine years, will offer himself for re-election for a further period of one year. The Board takes the view that his independence has not been compromised by his length of service and that his experience adds significantly to the strength of the Board. Mr Ferguson and Mr McDougall are both directors of The Independent Investment Trust but the Board does not believe that this affects their independent judgement. Lord Howell is the Senior Independent Director.

Given the non-executive nature of the Board a separate nomination committee has not been established. It is the view of the Board that the appointment of new Directors should be a matter for consideration by the Board as a whole.

During the course of the year the Board reviewed its composition having regard to the present and future needs of the Company and the need for a balanced Board.

Mr MB Sayers and Mr CFE Shakerley retired from the Board on 6 August 2003. Mr EM Harley, who was appointed to the Board on 3 June 2003, is a director at Cazenove Fund Management and brings considerable experience of overseas markets to the Board. Ms CC Ferguson, who was appointed on 1 September 2003, is a former partner in Wood Mackenzie & Co, stockbrokers, a director of Gartmore Smaller Companies Trust plc and the Association of Investment Trust Companies. She brings considerable inancial services experience to the Board. .ord Howell will retire from the Board at the conclusion of the forthcoming Annual General Meeting and Sir Charles Nunneley will retire mmediately following the Annual General Meeting in 2005.

During the year, the Chairman appraised each of the Directors. The Board, under the eadership of the Senior Independent Director, appraised the Chairman. In addition, the Board assessed its collective performance. Each Director's performance continues to be effective and each remains committed to the Company.

he Directors have appropriate business and nancial experience to enable the Board to provide effective strategic leadership and proper governance of the Company. nformation about the Directors, including heir relevant experience, can be found on pages 9 and 10.

emuneration

ince all the Directors are non-executive, a emuneration Committee is considered nnecessary. The Company's policy on emuneration is set out in the Directors' emuneration Report on pages 31 and 32.

ternal Controls and Risk Management

he practical measures to ensure compliance ith regulation and company law, and to ovide effective and efficient operations and vestment management, have been elegated to the Managers and Secretaries, aillie Gifford & Co, under the terms of the anagement Agreement. The Board knowledges its responsibilities to supervise nd control the discharge by the Managers nd Secretaries of their obligations.

Baillie Gifford & Co is responsible for the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly. This responsibility also extends to maintaining effective operational and compliance controls and risk management.

The Company's investments are segregated from those of Baillie Gifford & Co and its other clients through the appointment of The Bank Of New York Limited as independent custodian of the Company's investments.

Baillie Gifford & Co has an established compliance function in accordance with Financial Services Authority regulations. The compliance function provides the Board with a report on monitoring procedures at least annually. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report. This report is independently reviewed by Baillie Gifford & Co's auditors. A copy of the internal controls report is submitted to the Board. The Baillie Gifford & Co heads of internal audit and compliance provide the Board with regular reports on its monitoring programmes.

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The system of internal controls is designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. The Directors confirm that they have reviewed the effectiveness of the system and they have procedures in place to review its effectiveness on a regular basis.

The Board has undertaken a full review of all aspects of the published guidance 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance) and has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, in accordance with the Turnbull recommendations. To ensure that risk management and internal controls are considered on a regular basis and that a full risk and control assessment is undertaken on an annual basis, the following processes have been established in compliance with the guidance;

- internal controls strategy has been formalised following the production of a detailed risk map whereby significant risks are identified and the key controls to manage these risks are confirmed as in place and operating effectively;

- reporting procedures for the internal audit department, in respect of its risk framework monitoring and audit programme, and the compliance department, in respect of its regulatory monitoring programme, are defined and formalised within a service level agreement; and

- regular reports on internal controls are prepared by the Managers and submitted for Board review.

These procedures ensure that consideration is given regularly to the nature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage the risks

Directors' Interests

Name	Nature of interest	Ordinary 5p shares held at 30 April 2004	30 April 2003
Sir Charles Nunneley	Beneficial	10,000	10,000
CC Ferguson (appointed 1 September 2003)	Beneficial	29,265	–*
JGD Ferguson	Beneficial	10,000	10,000
EM Harley (appointed 3 June 2003)	Beneficial	10,000	–*
Lord Howell	Beneficial	9,013	6,150
DCP McDougall	Beneficial	1,375,000	1,375,000

The Directors at the end of the year under review, and their interests in the Company, were as shown above. There have been no changes intimated in the Directors' interests up to 14 June 2004.

* Holding at date of appointment

'dentified. The Board confirms that these procedures have been in place throughout the Company's financial year, are operating effectively and continue to be in place up to the date of approval of this Report.

Accountability and Audit

The respective responsibilities of the Directors and the auditors in connection with the Financial Statements are set out on pages 33 and 34.

The accounts have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

An Audit Committee has been established in compliance with the Combined Code consisting of non-executive Directors, all of whom are considered by the Board to be independent. Its authority and duties are clearly defined within its written terms of reference which are available on request. The Chairman of the Board, who is a Chartered Accountant, is Chairman of the Audit Committee in view of his extensive and relevant financial experience.

The Committee meets at least twice a year to review the Company's interim and annual financial statements. The Committee keeps under review the scope and effectiveness of the external audit and considers on a regular basis the independence and objectivity of the external auditors. It meets at least annually with the external auditors and approves the level of fees for audit and non audit services. It also reviews regularly the terms of the Investment Management Agreement.

Investment Manager

An Investment Management Agreement between the Company and Baillie Gifford & Co sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management Agreement is terminable on not less than 12 months' notice. Details of the fee arrangements with Baillie Gifford & Co are shown on page 41.

The Board considers the Company's investment management and secretarial arrangements for the Company on an ongoing basis and a formal review is conducted annually. The Board considers, amongst others, the following topics in its review: quality of policy guidance; success of investment strategy; investment performance; the level of service provided in terms of accuracy and timeliness of reports to the Board; quality of marketing efforts; comparative costs and communications with shareholders. Following the most recent review the Board is of the opinion that the continued appointment of Baillie Gifford & Co as investment managers, on the terms agreed, is in the best interests of shareholders.

Relations with Shareholders

The Company's Managers meet regularly with shareholders and their representatives and report to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with the Chairman, the Senior Independent Director or any other member of the Board may do so by writing to the person concerned, for the attention of the Secretaries, at the address on the back cover. The Company's Annual General Meeting provides a forum for all communication with shareholders and the Board announces the level of proxies lodged. The notice period for the Annual General Meeting is at least 20 working days.

The Company has given discretionary voting powers to the investment managers, Baillie Gifford & Co. The Managers vote against resolutions considered damaging to shareholders' rights or economic interests. Baillie Gifford & Co gives due weight to what it considers to be socially responsible investment when making investment decisions, but its overriding objective is to produce good investment returns for shareholders.

Directors

Information about the Directors, including their relevant experience, can be found on pages 9 and 10.

Mr MB Sayers and Mr CFE Shakerley retired from the Board on 6 August 2003.

Lord Howell will retire from the Board at the conclusion of the Annual General Meeting.

Sir Charles Nunneley retires by rotation, and, having served on the Board for more than nine years, offers himself for re-election for a further period of one year. The Board has considered the re-election of Sir Charles Nunneley, appraised his performance and reviewed his independent status. Sir Charles, who will retire from the Board following the Annual General Meeting in 2005, has a wealth of financial services and investment

Substantial Holdings

Name	No. of ordinary 5p shares held	% of issue
Scottish Widows Investment Partnership Ltd	15,586,706	5.30
U.S. Steel and Carnegie Pension Plan	12,820,000	4.36
The Standard Life Assurance Company	10,942,365	3.72
Barclays PLC	9,462,789	3.21
Legal and General Investment Management Limited	9,071,665	3.08

The above information has been intimated to the Company as at 14 June 2004 in compliance with section 198 of the Companies Act 1985.

trust experience which adds significantly to the strength of the Board. The Board therefore recommends his re-election.

Ms CC Ferguson was appointed to the Board on 1 September 2003 and her appointment falls to be confirmed at the Annual General Meeting. Ms Ferguson has valuable financial services experience and the Board recommends her election.

Repurchase of Shares

The Company's buy-back authority was last renewed at the AGM on 6 July 2003 in respect of 44,123,858 shares of 5p each (equivalent to 14.99% of its then issued share capital). No shares were bought back during the year under review.

The principal reasons for share buy-backs are:

(i) to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value;

(ii) to address any imbalance between the supply of and the demand for Monks shares that results in a discount of the quoted market price to the published net asset value per share.

Shares are purchased at a price (after allowing for costs) below the net asset value and subsequently cancelled, thereby reducing the issued share capital (see note 16 on page 47). As a result of such purchases, since April 1999 the net asset value per share of the Company is approximately 4% higher than it would otherwise have been.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in respect of the year ending 30 April 2005 or 2 February 2006, whichever is the earlier. Under the Listing Rules of the UK Listing Authority of the Financial Services Authority, the maximum price that may be paid on the exercise of the authority must not exceed 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase. The minimum price that may be paid will be 5p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Special Business, Resolution No. 8, in the Notice of Annual General Meeting.

Creditor Payment Policy

It is the Company's payment policy to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms. The Company had no trade creditors at either 30 April 2003 or 30 April 2004.

Auditors

Resolutions to reappoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the AGM.

By order of the Board

BAILLIE GIFFORD & Co

Managers and Secretaries

16 June 2004

Baillie Gifford & Co

Directors' emoluments for the year (audited)

	2004 £	2003 £
Sir Charles Nunneley (Chairman)	22,500	20,250
CC Ferguson (appointed 1 September 2003)	10,007	–
JGD Ferguson	15,000	13,500
EM Harley (appointed 3 June 2003)	13,675	–
Lord Howell	15,000	13,500
DCP McDougall	15,000	13,500
MB Sayers (retired 6 August 2003)	3,997	13,500
CFE Shakerley (retired 6 August 2003)	3,997	13,500
	99,176	**87,750**

The Directors who served in the year received the above emoluments in the form of fees.

Directors' Remuneration Report

he Board has prepared this report, in ccordance with the requirements of chedule 7A to the Companies Act 1985. n ordinary resolution for the approval of this eport will be put to the members at the orthcoming Annual General Meeting.

he law requires the Company's auditors to udit certain of the disclosures provided. Vhere disclosures have been audited, they re indicated as such. The auditors' pinion is included in their report on pages 4 and 35.

emuneration Committee

ne Company has six Directors, all of whom re non-executive. There is no separate emuneration committee and the Board as a hole considers changes to Directors' fees om time to time. Baillie Gifford & Co, who ave been appointed by the Board as lanagers and Secretaries, provide advice nd comparative information when the Board onsiders the level of Directors' fees.

Policy on Directors' fees

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. It should also reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. This policy will continue for the year ended 30 April 2005 and subsequent years.

The fees for the non-executive Directors are determined within an aggregate limit set out in the Company's Articles of Association, which currently stands at £200,000. Non-executive Directors are not eligible for any other remuneration apart from the reimbursement of allowable expenses.

The Board reviewed Directors' fees during the year and concluded that they should remain unchanged at £22,500 for the Chairman and £15,000 per Director

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors.

Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. All of the Directors have been provided with appointment letters and the terms of their appointment provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter they are obliged to retire by rotation, and, if they wish, to offer themselves for re-election no longer than every three years after that. The Board has also resolved that any Director who has served on the Board for more than nine years will submit himself for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

irectors' service details

	Date of appointment	Due date for election/re-election
· Charles Nunneley	27 April 1977	AGM 2004
C Ferguson	1 September 2003	AGM 2004
·D Ferguson	3 January 2002	AGM 2005
A Harley	3 June 2003	AGM 2006
rd Howell	26 May 1993	Retiring AGM 2004
CP McDougall	30 November 1999	AGM 2005

ompany performance

e graph below compares the share price al return (assuming all dividends are nvested) to Monk's ordinary shareholders mpared with the total shareholder return on notional investment made up of shares in e component parts of the FTSE All-Share lex. This index was chosen for comparison rposes, as it is a widely used measure of formance for UK listed companies (FTSE orld Index, which is the Company's mparative index, is provided for ormation purposes only).

Approval

The Directors' Remuneration Report on pages 31 and 32 was approved by the Board of Directors on 8 June 2004 and signed on its behalf by:

CHARLES NUNNELEY
Chairman

Statement of Directors' Responsibilities in Respect of the Financial Statements

ompany law requires the Directors to repare financial statements for each financial ear which give a true and fair view of the ate of affairs of the Company and of the rofit or loss for that period. In preparing ose financial statements, the Directors are equired to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

to the members of The Monks Investment Trust PLC ('the Company')

We have audited the financial statements which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes 1 to 25 of the financial statements. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ('the auditable part').

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Managers' Report.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or

form an opinion on the effectiveness of the
mpany's corporate governance procedures
its risk and control procedures.

sis of audit opinion

e conducted our audit in accordance with diting Standards issued by the Auditing ctices Board. An audit includes mination, on a test basis, of evidence vant to the amounts and disclosures in the ncial statements and the auditable part of Directors' Remuneration Report. It also udes an assessment of the significant mates and judgements made by the ectors in the preparation of the financial ements, and of whether the accounting icies are appropriate to the Company's umstances, consistently applied and quately disclosed.

e planned and performed our audit so as btain all the information and explanations ch we considered necessary in order to vide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs at 30 April 2004 and of its total return and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
Edinburgh
16 June 2004

	Notes	for the year ended 30 April 2004 Revenue £'000	Capital £'000	**Total £'000**	for the year ended 30 April 2003 Revenue £'000	Capital £'000	**Total £'000**
Gains/(losses) on investments	9	–	115,859	**115,859**	–	(159,385)	**(159,385)**
Currency gains/(losses)	17	–	3,317	**3,317**	–	(2,839)	**(2,839)**
Income	2	15,611	–	**15,611**	15,646	–	**15,646**
Investment management fee	3	(3,311)	–	**(3,311)**	(2,983)	–	**(2,983)**
Other administrative expenses	4	(824)	–	**(824)**	(703)	–	**(703)**
Net return before finance costs and taxation		11,476	119,176	**130,652**	11,960	(162,224)	**(150,264)**
Finance costs of borrowings	5	(7,315)	–	**(7,315)**	(8,147)	–	**(8,147)**
Return on ordinary activities before taxation		4,161	119,176	**123,337**	3,813	(162,224)	**(158,411)**
Tax on ordinary activities	6	(1,160)	–	**(1,160)**	(753)	–	**(753)**
Return on ordinary activities after taxation for the financial year attributable to equity shareholders		3,001	119,176	**122,177**	3,060	(162,224)	**(159,164)**
Dividends in respect of equity shares	7	(3,091)	–	**(3,091)**	(2,983)	–	**(2,983)**
Transfer (from)/to reserves		**(90)**	**119,176**	**119,086**	**77**	**(162,224)**	**(162,147)**
Return per ordinary share	8	**1.02p**	**40.49p**	**41.51p**	**1.04p**	**(54.87p)**	**(53.83p)**

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

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

The accompanying notes on pages 39 to 49 are an integral part of this statement.

	Notes	at 30 April 2004 £'000	at 30 April 2004 £'000	at 30 April 2003 £'000	at 30 April 2003 £'000
Fixed assets					
Investments	9		681,256		602,937
Current assets					
Debtors	11	3,982		5,330	
Cash at bank and in hand	10	11,521		3,952	
		15,503		9,282	
Creditors					
Amounts falling due within one year	12	(4,600)		(39,178)	
Net current assets/(liabilities)			10,903		(29,896)
Total assets less current liabilities			692,159		573,041
Creditors					
Amounts falling due after more than one year	13		(79,386)		(79,354)
			612,773		**493,687**
Capital and reserves					
Called-up share capital	16		14,718		14,718
Share premium			11,100		11,100
Capital redemption reserve			4,680		4,680
Capital reserve – realised	17		466,425		466,868
Capital reserve – unrealised	17		98,752		(20,867)
Revenue reserve	17		17,098		17,188
Equity shareholders' funds	20		**612,773**		**493,687**
Net asset value per ordinary share	19		**208.0p**		**167.5p**

The Accounts were approved by the Board and signed on their behalf on 16 June 2004.

CHARLES NUNNELEY
Chairman

The accompanying notes on pages 39 to 49 are an integral part of this statement.

	Notes	for the year ended 30 April 2004 £'000	£'000	for the year ended 30 April 2003 £'000	£'000
Net cash inflow from operating activities	21		11,958		13,133
Servicing of finance					
Interest paid		(7,316)		(8,150)	
Net cash outflow from servicing of finance			(7,316)		(8,150)
Taxation					
Overseas tax incurred		(816)		(792)	
Total tax paid			(816)		(792)
Financial investment					
Acquisitions of investments		(149,228)		(266,999)	
Disposals of investments		186,308		287,248	
Realised currency gain/(loss)		382		(32)	
Net cash inflow from financial investment			37,462		20,217
Equity dividends paid			(3,091)		(4,121)
Net cash inflow before financing			38,197		20,287
Financing					
Shares purchased for cancellation		–		(20,557)	
Bank loans repaid		(30,628)		(34,291)	
Bank loans drawn down		–		34,131	
Net cash outflow from financing			(30,628)		(20,717)
Increase/(decrease) in cash	22		**7,569**		**(430)**
Reconciliation of net cash flow to movement in net debt	22				
Increase/(decrease) in cash in the year			7,569		(430)
Net outflow from bank loans			30,628		160
Exchange movement on bank loans			2,935		(2,807)
Other non-cash changes			(32)		(33)
Movement in net debt in the year			41,100		(3,110)
Net debt at 1 May			(108,965)		(105,855)
Net debt at 30 April			**(67,865)**		**(108,965)**

The accompanying notes on pages 39 to 49 are an integral part of this statement.

Notes to Accounts

Contents

Principal Accounting Policies

summary of the principal accounting ɔlicies, which are unchanged from last ɘar and have been applied consistently, is ɘt out below.

ı) Basis of Accounting

ɪe accounts are prepared under the storical cost convention, modified to .clude the revaluation of fixed asset ɪvestments, and on the assumption that pproval as an investment trust will ɔntinue to be granted.

ɪe accounts have been prepared in ccordance with applicable UK accounting andards and with the revised Statement f Recommended Practice 'Financial tatements of Investment Trust Companies' sued in January 2003, which has not led ɔ any changes in accounting policy.

ɔ) Investments

sted investments are shown at middle arket value, or in the case of FTSE 100 ɔnstituents, at last traded prices issued by e London Stock Exchange.

sted investments include Open Ended ɪvestment Companies (OEICs) authorised the UK; these are valued at mid price nd are classified for valuation purposes ccording to the principal geographical ea of the underlying holdings.

nlisted investments are shown at a aluation determined by the Directors ased upon latest dealing prices, ockbroker valuations, net asset values and her information, as appropriate.

Income

Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

(ii) Interest from fixed interest securities is recognised on an accruals basis. Fixed interest securities issued at a significant discount or premium are accounted for on an effective yield basis.

(iii) Unfranked investment income includes the taxes deducted at source.

(iv) Franked investment income is stated net of tax credits.

(v) Interest receivable on deposits is recognised on an accruals basis.

(vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account.

(d) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue account except where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds.

(e) Long Term Borrowings and Finance Costs

Long term borrowings are carried in the balance sheet at the cumulative amount of net proceeds after issue, plus accrued finance costs. The finance costs of such borrowings are allocated to the revenue account at a constant rate on the carrying amount. Issue costs are written off at a constant rate over the life of the borrowings.

(f) Taxation

Deferred taxation is provided on all timing differences which have originated but not reversed by the balance sheet date, calculated at the current tax rate relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(g) 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. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or revenue reserve as appropriate.

(h) Capital Reserves

(i) Capital Reserves Realised:
Gains and losses on realisation of investments and realised exchange differences of a capital nature are dealt with in this reserve. Purchases of the Company's own shares for cancellation are also funded from this reserve.

(ii) Capital Reserves Unrealised:
Unrealised appreciation/(depreciation) represents the amount by which the market value of assets and liabilities differs from their book value and is dealt with in this reserve.

Income

	2004 £'000	2003 £'000
Income from investments		
Franked investment income	4,177	4,405
UK unfranked investment income†	3,954	3,664
Overseas dividends	6,947	6,042
Overseas interest	139	1,290
	15,217	**15,401**
Other income		
Deposit interest	291	101
Underwriting commission	103	144
	394	**245**
Total income	**15,611**	**15,646**
Total income comprises		
Dividends	12,299	11,296
Interest from investments	2,918	4,105
Other	394	245
	15,611	**15,646**
Income from investments		
Listed UK	8,131	8,069
Listed overseas	7,086	7,332
	15,217	**15,401**

† Includes income from OEICs.

Investment Management Fee – all charged to revenue

	2004 £'000	2003 £'000
Investment management fee	3,057	2,707
Irrecoverable VAT thereon	254	276
	3,311	**2,983**

Baillie Gifford & Co is employed by the Company as Managers and Secretaries under a management agreement which is terminable on not less than 12 months' notice, or on shorter notice in certain circumstances. The fee in respect of each quarter is 0.1125% of the total assets less current liabilities and is subject to VAT at the appropriate rate. The management fee is levied on all assets, including holdings in collective investment schemes (OEICs) managed by Baillie Gifford & Co. However, the OEICs' share class held by the Company does not attract a management fee.

Other Administrative Expenses – all charged to revenue

	2004 £'000	2003 £'000
General administrative expenses	713	604
Directors' fees (see Directors' Remuneration Report on pages 31 and 32)	99	88
Auditors' remuneration for audit services	12	11
	824	**703**

Finance Costs of Borrowings – all charged to revenue

	2004 £'000	2003 £'000
Bank loans	333	1,165
Debentures stocks	6,982	6,982
	7,315	**8,147**

Tax on Ordinary Activities

	2004 £'000	2003 £'000
Overseas taxation – current year	793	783
– adjustment to prior years	367	300
Total current tax	1,160	1,083
Deferred taxation (see note 15)	–	(330)
	1,160	**753**
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below:		
Revenue return on ordinary activities before taxation	4,161	3,813
Revenue return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 – 30%)	1,248	1,144
Effects of:		
Income not taxable (franked investment income)	(1,253)	(1,321)
Income taxable in different periods	(88)	(62)
Taxable losses in year not utilised	995	1,090
Overseas withholding tax written off on income taxable in different periods	(24)	15
Overseas refundable tax deemed irrecoverable	367	300
Overseas refundable tax written off claimed as a deduction	(110)	(90)
Adjustment to income received from OEICs for tax purposes	25	7
Current tax charge for the year	**1,160**	**1,083**

Capital returns are not included in the above analysis since, as an Investment Trust, the Company's capital gains are not taxable.

Ordinary Dividends

	2004	2003	2004 £'000	2003 £'000
Adjustment to previous year's final dividend re shares bought back	–	–	–	(108)
Interim dividend per ordinary share (paid 30 January 2004)	0.40p	0.40p	1,178	1,178
Proposed final dividend per ordinary share (payable 6 August 2004)	0.65p	0.65p	1,913	1,913
	1.05p	**1.05p**	**3,091**	**2,983**

Return per Ordinary Share

	2004 Revenue £'000	2004 Capital £'000	2004 **Total £'000**	2003 Revenue £'000	2003 Capital £'000	2003 **Total £'000**
Return on ordinary activities after taxation	**3,001**	**119,176**	**122,177**	**3,060**	**(162,224)**	**(159,164)**

Return per ordinary share is based on the above returns and on 294,355,295 (2003 – 295,654,199) ordinary shares of 5p, being the weighted average number of ordinary shares in issue during the year.

Fixed Assets – Investments

	2004 £'000	2003 £'000
Listed at market value – UK	185,012	184,467
– Overseas	482,059	408,587
Unlisted	14,185	9,883
	681,256	**602,937**

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	**Total £'000**
Cost of investments held at 1 May 2003	174,302	438,623	11,447	**624,372**
Unrealised appreciation/(depreciation) at 1 May 2003	5,041	(24,912)	(1,564)	**(21,435)**
Value of investments held at 1 May 2003	179,343	413,711	9,883	**602,937**
Movements in year:				
Purchases at cost	22,704	125,277	–	**147,981**
Sales – proceeds	(55,635)	(128,603)	(1,283)	**(185,521)**
– realised gains/(losses) on sales	5,832	(9,277)	(883)	**(4,328)**
Movement in unrealised appreciation/(depreciation)	32,768	80,951	6,468	**120,187**
Value of investments held at 30 April 2004	185,012	482,059	14,185	**681,256**
Cost of investments held at 30 April 2004	147,203	426,020	9,281	**582,504**
Unrealised appreciation at 30 April 2004	37,809	56,039	4,904	**98,752**
Value of investments held at 30 April 2004	185,012	482,059	14,185	**681,256**

	2004 £'000	2003 £'000
Gains/(losses) on investments		
Realised losses on sales	(4,328)	(41,018)
Movement in unrealised appreciation/(depreciation)	120,187	(118,367)
	115,859	**(159,385)**

The movement in unrealised appreciation/(depreciation) of £120,187,000 comprised £16,663,000 previously recognised as unrealised appreciation/(depreciation) in respect of sales in the year and £103,524,000 in respect of other movements in appreciation/(depreciation).

Fixed Assets – Investments (continued)

During the year the Company held shares in Open Ended Investment Companies (OEICs) managed by Baillie Gifford & Co, the Company's investment manager. The share class held in these OEICs does not attract a management fee. At 30 April 2004 the Company held:

	2004		2003	
	Shares held	% of share class held	Shares held	% of share class held
Baillie Gifford British Smaller Companies Fund	5,396,007	48.9	5,396,007	47.2
Baillie Gifford High Yield Bond Fund	16,306,033	56.1	32,052,006	46.4
Baillie Gifford Japanese Smaller Companies Fund	454,000	3.6	–	–
Baillie Gifford Latin American Fund	–	–	3,000,000	20.0
Baillie Gifford Pacific Fund	42,500,000	95.2	39,310,000	99.8

) Financial Assets

A full list of the Company's investments is given on pages 20 to 24. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial or commercial sector, and a list of the 30 largest equity investments by their aggregate market value are contained in the Managers' Review section. All financial assets and short term liabilities are included in the accounts at market value (see note 1).

Exposure to currency risk through asset allocation is indicated on page 14.

The interest rate risk profile of the Company's financial assets at 30 April was:

	2004			2003		
	Market value £'000	Weighted average interest rate	Weighted average period until maturity	Market value £'000	Weighted average interest rate	Weighted average period until maturity
Fixed rate:						
European bonds	1,690	14.0%	23 years	–	–	–
Floating rate:						
Euro bonds (linked to euro LIBOR)	–	–	–	1,728	7.5%	22 years
UK bonds (linked to sterling LIBOR)	13,911	4.1%	59 years	13,532	4.1%	60 years
Fixed interest collective investment scheme:						
Baillie Gifford High Yield Bond Fund	17,252	9.5%	10 years	31,401	8.8%	10 years

	2004 £'000	2003 £'000
Cash:		
UK deposits	3,060	2,034
Foreign deposits – Euro	2,059	904
– Japanese yen	2,695	3
– Swiss franc	–	885
– US dollar	3,707	126
	11,521	**3,952**

The cash deposits generally comprise call or short term money market deposits of less than one month.

Short term debtors have been excluded from the disclosure of financial assets.

1 Debtors

	2004 £'000	2003 £'000
Due within one year:		
Income accrued (net)	3,053	3,342
Sales for subsequent settlement	–	787
UK taxation recoverable	707	621
Overseas taxation recoverable	140	473
Other debtors and prepayments	82	107
	3,982	**5,330**

2 Creditors – Amounts falling due within one year

	2004 £'000	2003 £'000
Purchases for subsequent settlement	–	1,247
Proposed final dividend	1,913	1,913
Bank loans	–	33,563
Other creditors and accruals	2,687	2,455
	4,600	**39,178**

Included in other creditors and accruals is £179,000 (2003 – £82,000) in respect of the investment management fee.

3 Creditors – Amounts falling due after more than one year

	Nominal rate	Effective rate	2004 £'000	2003 £'000
Debenture stocks:				
£40 million 11% debenture stock 2012	11.0%	11.0%	40,000	40,000
£40 million $6\frac{3}{8}$% debenture stock 2023	6.375%	6.5%	39,386	39,354
			79,386	**79,354**

Debenture stocks

The debenture stocks are stated in accordance with the requirements of Financial Reporting Standard 4 'Capital Instruments'; the cumulative effect is to decrease the carrying amount of borrowings by £614,000 (2003 – £646,000).

The debenture stocks are secured by a floating charge over the assets of the Company.

4 Financial Liabilities

	2004 £'000	2003 £'000
The interest rate risk profile of the Company's financial liabilities at 30 April was:		
Fixed rate – Sterling	79,386	79,354
Floating rate – US dollar	–	22,336
– Japanese yen	–	11,227
	79,386	**112,917**
The maturity profile of the Company's financial liabilities at 30 April was:		
In one year or less, or on demand	–	33,563
In more than five years (weighted average period fixed 13 years)	79,386	79,354
	79,386	**112,917**

Fair value of financial liabilities

The debenture stock issues are included in the accounts in accordance with FRS4. A comparison with the closing mid market value is as follows:

	2004 Nominal £'000	2004 Book £'000	2004 Market £'000	2003 Nominal £'000	2003 Book £'000	2003 Market £'000
11% debenture stock 2012	40,000	40,000	52,242	40,000	40,000	53,942
6⅜% debenture stock 2023	40,000	39,386	40,283	40,000	39,354	40,769
	80,000	**79,386**	**92,525**	**80,000**	**79,354**	**94,711**

Deducting prior charges at market value would have the effect of reducing net asset value per ordinary share from 208.0p to 203.7p. Taking the market price of the ordinary shares at 30 April 2004 of 173.0p, this would have given a discount to net asset value of 15.1% as against 16.8% on a traditional basis. At 30 April 2003 the effect would have been to reduce net asset value per ordinary share from 167.5p to 162.5p. Taking the market price of the ordinary shares at 30 April 2003 of 143.0p, this would have given a discount to net asset value of 12.0% as against 14.6%.

Short term creditors have been excluded from the disclosure of financial liabilities.

Gains and losses on hedges

At 30 April 2004 there were no unrecognised gains/losses on hedges. Realised currency gains/losses are taken to the capital reserve and are not reflected in the revenue account unless they are of a revenue nature.

5 Deferred Taxation

	2004 £'000	2003 £'000
Income taxable in a later period	526	437
Taxable losses carried forward	(526)	(437)
	–	**–**
Deferred taxation provision at 1 May	–	330
Deferred taxation (credit)/charge for the year	–	(330)
Deferred taxation provision at 30 April	**–**	**–**

At 30 April 2004 the Company had a potential deferred tax asset of £1,728,000 (2003 – £821,000) on taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains.

6 Called-up Share Capital

	2004		2003	
	Number	£'000	Number	£'000
Authorised ordinary shares of 5p each	**387,960,000**	**19,398**	**387,960,000**	**19,398**
Allotted, issued and fully paid ordinary shares of 5p each	**294,355,295**	**14,718**	**294,355,295**	**14,718**

At the AGM in July 2003 shareholders approved the renewal of the Company's authority to buy back its own ordinary shares in respect of 44,123,858 ordinary shares of 5p each (equivalent to 14.99% of its issued share capital at that date). No shares have been bought back during the year and therefore at 30 April 2004 the Company's authority to buy back its own shares remained unchanged at 44,123,858 ordinary shares.

Under the provisions of the Company's Articles of Association share buy-backs are funded from the realised capital reserve.

7 Reserves

	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At 1 May 2003	466,868	(20,867)	17,188
Net loss on realisation of investments	(4,328)	–	–
Movement in unrealised appreciation/(depreciation) on investments	–	120,187	–
Exchange differences on bank loans	3,503	(568)	–
Other exchange differences	382	–	–
Net revenue deficit for the year	–	–	(90)
At 30 April 2004	**466,425**	**98,752**	**17,098**

8 Total Shareholders' Funds

	2004 £'000	2003 £'000
Total shareholders' funds attributable to equity shares	**612,773**	**493,687**

Total shareholders' funds have been calculated in accordance with the provisions of FRS4. However, the net asset value per share figures in note 19 have been calculated on the basis of shareholders' rights to reserves as specified in the Company's Articles. A reconciliation of the two figures is as follows:

Shareholders' funds per ordinary share	208.2p	167.7p
Expenses of debenture issue	(0.2p)	(0.2p)
Net asset value per ordinary share	**208.0p**	**167.5p**

9 Net Asset Value per Ordinary Share

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

	2004	2003	2004 £'000	2003 £'000
Ordinary shares	**208.0p**	**167.5p**	**612,159**	**493,041**

	2004 £'000	2003 £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:		
Total net assets at 1 May	493,041	675,712
Total recognised gains and losses for the year	122,177	(159,164)
Dividends appropriated in the year	(3,091)	(2,983)
Amortisation of debenture issue expenses	32	33
Shares purchased for cancellation	–	(20,557)
Total net assets at 30 April	**612,159**	**493,041**

Net asset value per ordinary share is based on net assets (adjusted to reflect the deduction of the debentures at par), and on 294,355,295 (2003–294,355,295) ordinary shares of 5p, being the number of ordinary shares in issue at the year end. Shareholders' funds as reported on the face of the balance sheet has been computed in accordance with the provisions of FRS4. A reconciliation of the two sets of figures under these two conventions is given in note 18.

0 Reconciliation of Movements in Shareholders' Funds

	2004 £'000	2003 £'000
Shareholders' funds at 1 May	493,687	676,391
Total recognised gains and losses for the year (after dividend payments)	119,086	(162,147)
Shares purchased for cancellation	–	(20,557)
Shareholders' funds at 30 April	**612,773**	**493,687**

Reconciliation of Net Revenue before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2004 £'000	2003 £'000
Net revenue on ordinary activities before finance costs and taxation	11,476	11,960
Decrease in accrued income	375	1,659
Increase in other debtors	(9)	(134)
Increase in creditors	265	6
Income tax incurred	(149)	(358)
	11,958	**13,133**

Analysis of Change in Net Debt

	At 1 May 2003 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	At 30 April 2004 £'000
Cash at bank and in hand	3,952	7,569	–	–	**11,521**
Loans due within one year	(33,563)	30,628	–	2,935	–
Debenture stocks	(79,354)	–	(32)	–	**(79,386)**
	(108,965)	**38,197**	**(32)**	**2,935**	**(67,865)**

3 Contingent Liabilities, uarantees and Financial ommitments

30 April 2004 the Company had ntingent liabilities of £20,500,000 (2003 £20,500,000) in respect of a subscription reement relating to participating loan notes hich expire on 31 December 2005.

4 Directors' Interests in Contracts

lo Director has a contract of service with e Company.

uring the year no Director was interested any contract or other matter requiring sclosure under section 232 of the ompanies Act 1985.

5 Derivatives and Other Financial struments

e Company operates as an investment trust accordance with section 842 of the come and Corporation Taxes Act 1988. e international nature of the Company's vestment activities provides opportunities for oth market appreciation and currency gains, t leaves it exposed to the risk of market latility and currency fluctuations.

the case of an investment trust, capital ofits from investing activities and currency ins are not recognised in the revenue count, but are credited directly to a parate capital reserve which the Company prohibited from distributing in the form of idends.

e Company makes use of gearing (long d short term borrowings) to achieve proved performance in rising markets.

e Company's revenue account may be ected by fluctuations in short term interest es; income from overseas investment can affected by currency fluctuations.

e Company's financial instruments, which ovide finance for investment activities, rently comprise its debenture stocks and its sh and liquid resources. In addition to the uity portfolio, the Company maintains estments in UK and overseas corporate nds as part of its investment strategy.

The Company may, from time to time, enter into derivative transactions to hedge specific currency or interest rate risk. No such transactions were undertaken in the period under review.

The Company has precisely defined guidelines to govern the purchase or writing of options on individual shares. No options were purchased or written in the year under review.

Trading in financial instruments is not within the normal activities of an investment trust, nor is it the Company's policy to trade in such instruments. Transactions in financial instruments generally arise as a result of strategic investment decisions.

The Company's Managers may not enter into derivative transactions without the prior approval of the Board, and all borrowing facilities require Board authorisation. The Board agrees policies for managing risk with the Company's Managers. The main risks arising from the Company's financial instruments are market risk (as noted above), interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest Rate Risk

The Company finances its operations by means of equity shareholders' funds, bank borrowings and the issue of debenture stocks. The value of the Company's bond portfolio is subject to interest rate risk. It is not the Company's policy to hedge this risk.

The Company maintains a £5 million undrawn overdraft facility with The Bank of New York.

The Company has issued fixed interest debenture stocks.

Credit Risk

In addition to interest rate risk, the Company's investments in bonds are also subject to credit risk. Credit risk reflects the possibility that a borrower will not be able to meet its obligation to make payments of interest or principal when they fall due. The Managers analyse the credit risk of the Company's bond investments prior to purchase and continue to monitor developments in credit quality subsequently.

Liquidity Risk

The Company's policy with regard to liquidity is to ensure continuity of funding. Short term flexibility is achieved by overdraft facilities.

The Company's assets comprise mainly readily realisable securities which can be sold freely to meet funding commitments if necessary.

Foreign Currency Risk

The international nature of the Company's investment activities gives rise to a currency risk which is inherent in the performance of its overseas investments. It is not the Company's policy to hedge this risk on a continuing basis, but the Company may from time to time match specific overseas investment with foreign currency borrowings.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

The Annual General Meeting of the Company will be held at the offices of the Institution of Electrical Engineers, Savoy Place, London WC2R 0BL on 3 August 2004 at 11.00 am.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

Baillie Gifford may record your call.

Notice of Annual General Meeting

otice is hereby given that the seventy-fifth nual General Meeting of The Monks estment Trust PLC will be held within the ices of the Institution of Electrical Engineers, voy Place, London WC2R 0BL on esday, 3 August 2004, at 11.00 am for following purposes:

dinary Business

. To approve the Accounts of the Company for the year to 30 April 2004 with the Reports of the Directors and of the Auditors thereon.

To approve the Directors' Remuneration Report.

To declare a dividend.

To re-elect Sir Charles Nunneley as a Director.

To elect Ms CC Ferguson as a Director.

To re-appoint PricewaterhouseCoopers LLP as Auditors.

To authorise the Directors to determine the remuneration of the Auditors.

onsider and, if thought fit, pass the wing resolution as a Special Resolution:

That, in substitution for any existing authority under section 166 of the Companies Act 1985 (the 'Act'), but without prejudice to the exercise of any such authority prior to the date hereof, he Company be authorised, in accordance with section 166 of the Act, o make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5p each in the capital of the Company ('Shares'), provided that:

(a) the maximum aggregate number of Shares hereby authorised to be purchased shall be 14.99% of the issued ordinary share capital on the date on which this resolution is passed;

(b) the minimum price which may be paid for a Share shall be 5p;

(c) the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares for the 5 business days immediately preceding the date of purchase; and

(d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 30 April 2005 or, on 2 February 2006, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.

By Order of the Board

Baillie Gifford & Co
Managers and Secretaries
2 July 2004

Baillie Gifford & Co

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy for the use of members is enclosed.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders entered on the Register of Members of the Company as at 6.00 pm on 1 August 2004 or, in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the Register of Members after 6.00 pm on 1 August 2004 or, in the event that the meeting is adjourned, in the Register of Members 48 before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the articles of association of the Company or other instrument to the contrary.
3. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA/PEP who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
4. No Director has a contract of service with the Company.

-urther Shareholder Information

ɔw to Invest
ɐe Company's shares are traded on the ndon Stock Exchange. They can be ught by placing an order with a ɔckbroker, by asking a professional viser to do so, or through the Baillie fford savings vehicles (see inside back ver for details).

urces of Further Information on the ɔmpany
ɐ price of shares is quoted daily in the ancial Times and can also be found on Baillie Gifford website at **w.bailliegifford.com**, Trustnet at w.trustnet.co.uk and on other financial bsites. Company factsheets are also ɔilable on the Baillie Gifford website d are updated monthly. These are ɔilable from Baillie Gifford on request.

y Dates
dinary shareholders normally receive two idends in respect of each financial year. interim dividend is paid in February and nal dividend is paid in August. The ɐM is normally held in July/August.

pital Gains Tax
Capital Gains Tax indexation poses, the market value of an ordinary re in the Company as at 31 March 82 was 70.5p. This figure has not ɐn restated for the five for one share split ly 2001.

Share Register Enquiries
Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0870 702 0010. By quoting the reference number on your share certificate you can check your holding on the Registrars' web site:
www-uk.computershare.com/investor

Telephone Share Dealing Service
A telephone share dealing service has been established with our Registrar, Computershare Investor Services PLC, which provides shareholders with a way of buying or selling Monks Investment Trust PLC ordinary shares on the London Stock Exchange. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. For further information about this service please phone 0870 702 0000.

Please note that this share dealing service is not available to shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan, ISA and PEP.

This is not a recommendation to buy, sell or hold shares in Monks. If you are unsure of what action to take contact a financial adviser authorised under the Financial Services and Markets Act 2000. Please note that share values may go down as well as up, which may result in you receiving less than what you originally invested.

Computershare Investor Services PLC is authorised and regulated by the Financial Services Authority.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

Monks is an investment trust. Investment trusts offer investors the following:

- Participation in a diversified portfolio of shares.
- Constant supervision by experienced professional managers.
- The Company is free from capital gains tax on capital profits realised within its portfolio.

ıalysis of Shareholders

	At 30 April 2004 Number	%	At 30 April 2003 Number	%
;titutions	126,271,872	42.9	129,508,522	44.0
ermediaries	93,825,291	31.9	83,466,388	28.3
dividuals	55,398,334	18.8	60,276,245	20.5
illie Gifford Share Plan/PEP/ISA	16,984,353	5.8	16,952,522	5.8
arketmakers	1,875,445	0.6	4,151,618	1.4
	294,355,295	**100.0**	294,355,295	100.0

ese accounts have been approved by the rectors of Monks Investment Trust PLC. aillie Gifford Savings Management Limited the ISA Manager of the Baillie Gifford vestment Trust ISA, the PEP Manager of e Baillie Gifford Investment Trust PEP and e Manager of the Baillie Gifford vestment Trust Share Plan and Children's vings Plan. Baillie Gifford Savings anagement Limited is wholly owned by illie Gifford & Co. Both are authorised d regulated by the Financial Services thority. Baillie Gifford only provides ormation about its products and does not ovide investment advice. The staff of illie Gifford may have positions in Monks and may buy, sell or offer to make a purchase or sale of such securities from time to time. The value of ISA and PEP tax advantages will depend on personal circumstances. Tax rates and reliefs may change in the future. Past performance is no guarantee of future performance. The capital value of and income distributed by an investment trust can go down as well as up and an investor may not get back the amount originally invested. The price of an investment trust share will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value.

onks' shares are traded on the London ock Exchange. They can be bought ough a stockbroker, by asking a ofessional adviser to do so, or through e Baillie Gifford savings vehicles – see low.

illie Gifford's Investment ust Share Plan

u can invest from £250 or from £30 per nth. The plan is designed to be a cost-ective way of saving on a regular or np sum basis.

illie Gifford's Investment ust ISA

u can invest in a tax efficient way by esting a minimum of £2,000 or from 50 per month or by transferring an ISA h a value of at least £2,000 from your sting manager.

illie Gifford's Children's ings Plan

ost-effective plan tailored especially to et the requirements to save for children. u can invest a minimum of £250 or from) per month.

Baillie Gifford's Investment Trust PEP Transfer

You can transfer an existing PEP to access a different market or to change your investment manager (minimum value of £2,000).

Further Information

Retail Investments Department
Baillie Gifford Savings Management Limited
Calton Square
1 Greenside Row
EDINBURGH EH1 3AN

Tel: 0800 027 0133
We may record your call

E-mail: its@bailliegifford.com
Website: www.bailliegifford.com

Fax: 0131 275 3955

irectors

hairman:
r Charles Nunneley

C Ferguson
GD Ferguson
M Harley
rd Howell
CP McDougall

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