WITAN

Investment Company plc

Financial Highlights

101625

	Year ended 31st December 1991	Year ended 31st December 1990	% Increase
Net asset value per ordinary share*	178·8p	153·3p	16·6
Net asset value per warrant	102·3p	76·8p	33·2
Earnings per ordinary share	5·67p	5·40p	5·0
Dividends per ordinary share			
Interim and final	5·30p	4·75p	11·6

*Assuming full subscription of outstanding warrants.

The recommended ordinary final dividend of 2·80p per share, if approved, will be paid on 11th March 1992 to shareholders on the register of members at the close of business on 12th February 1992.

Key Dates

Financial year end: 31st December

Annual general meeting and presentation to shareholders: 10th March 1992

Final dividend for 1991: payable 11th March 1992

Interim dividend for 1992: payable 11th September 1992

Aim

'Our aim is to build up the capital value of the Company by identifying those businesses around the world with the best prospects of income growth.'

Total Return

Under very volatile market conditions, I am pleased to be able to report a total return of 20·1% for the twelve months under review. This return is made up of a rise in our net asset value from 153·3p per share to 178·8p per share (up 16·6%) and a recommended final of 2·8p per share to give a total net dividend of 5·3p per share (up 11·6%). These figures are encouraging and compare favourably with the returns achievable in the UK, Europe and Japan, although higher returns were available in North and South America and the Pacific Basin (excluding Japan).

Future Return

In perfect market conditions, there is an inseparable link between the expected stream of income from an investment and its capital value. Any hypothetical projections one may make about future total returns, income and capital appreciation, will be determined, principally, by earnings, but also by any re-rating those earnings are accorded by stockmarkets.

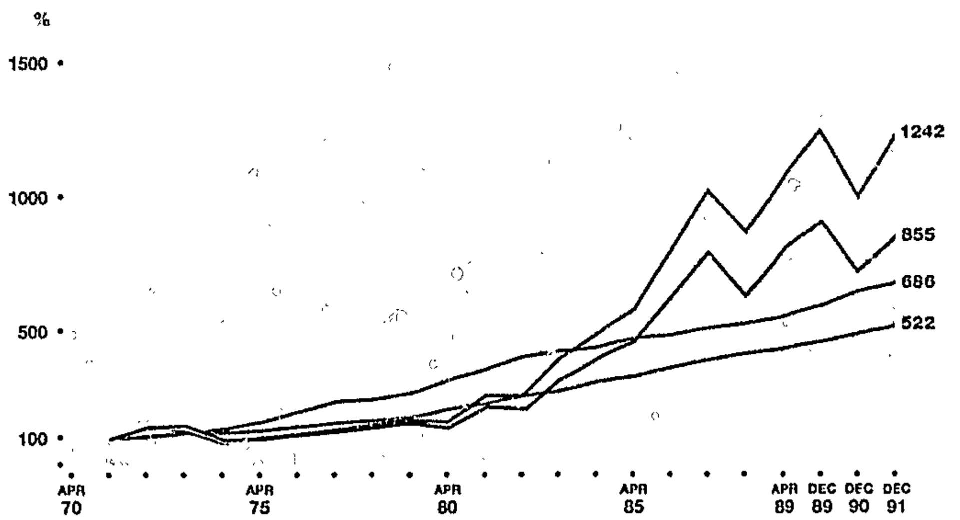
Today, we are faced with two schools of thought: the 'green shoot' brigade believe corporate earnings recovery is just round the corner, whereas the 'great reckoning' group believe a cyclical slump is in the making. We tend to believe that the consumer is unlikely, in the short term, to provide the engine for corporate earnings growth, and the current strength of equity markets worldwide looks premature. The emphasis within our investment portfolio will continue to be directed towards secure income and businesses which appear least sensitive to profit margin erosion and where intense competition can be avoided. We believe it will be important, over the next stage, to ensure that our enviable income record, which has been among the best of

Comparative Statistics

	%
Net asset value per ordinary share	+16·6
Total ordinary dividends	+11·6
Financial Times Actuaries All-Share Index	+15·1
Standard & Poor's Composite Index (sterling adjusted)	+30·3
New Tokyo Index (sterling adjusted)	+10·7
Financial Times Actuaries Europe (ex UK) Index (sterling adjusted)	+11·7
Financial Times Actuaries Pacific Basin (ex Japan) Index (sterling adjusted)	+33·6
Retail Price Index	+4·5

Figures are from 31st December 1990 to 31st December 1991. Index returns are capital change only.
Source: Datastream

Twenty Year Returns



general investment trusts, is upheld, as we believe shareholders would like us to protect this component of an unpredictable total return, until trading conditions improve and the prospects for corporate earnings look convincingly better.

World Trade

The speed of political, military and economic change in Eastern Europe has become frenetic. Nation states are splitting up like iceflows and then coming back together again to form new groups, whilst in Western Europe a growing list of countries appears willing to bury their differences and to forego their national sovereignty. Economic growth will be dependent on future levels of world trade and the flow of new capital investment. This, together with the uncertain result of the GATT negotiations, leads one to believe that the background for recovery is not ideal.

Commodity prices, particularly oil and metals, are still in the doldrums and lower interest rates worldwide have, so far, failed to generate investment interest in property.

Conclusion

Until there is actual evidence of an upturn in economic activity we are inclined to remain very cautious, ungeared and very watchful. Markets, particularly in the USA, already discount a sizeable uplift in corporate profits on the back of a weak currency and low interest rates: time alone will tell how realistic this is.

3rd February 1992

Directors and Advisers

Directors

The Lord Faringdon *Chairman*
A partner of Cazenove & Co, and a non-executive director of Henderson Administration Group plc.

H M Priestley *Managing Director*
A director of Henderson Administration Group plc and Henderson Highland Trust plc.

R P St G Cazalet
A former chairman of the Association of Investment Trust Companies. He is also a director of a number of publicly quoted companies.

The Lord Inchyra
Secretary-general of the British Bankers' Association.

D M Backhouse
Chairman of Henderson Administration Group plc and a director of TSB Group plc and Bradstock Group plc.

Sir John Milne
A director of Royal Insurance Holdings plc, Avon Rubber plc and Solvay et Cie.

H M Henderson
A partner of Cazenove & Co, and a director of Updown Investment Company plc and Hotspur Investments plc.

W A Cathcart
Chairman and chief executive of Avis Europe Limited.

Advisers

Auditor
Coopers & Lybrand Deloitte
Plumtree Court
London EC4A 4HT

Bankers
The Royal Bank of Scotland plc
67 Lombard Street
London EC3P 3DL

Morgan Stanley Trust Company
One Evertrust Plaza
Jersey City
New Jersey 07302
USA

Stockbroker
Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

Registrar
The Royal Bank of Scotland plc
Registrar's Department
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Solicitor
Bischoff & Co
PO Box 613
Epworth House
25 City Road
London EC1Y 1BY

Managers

Henderson Administration Limited
3 Finsbury Avenue
London EC2M 2PA
Member of IMRO

Witan's investment team, from left to right: Hugh Priestley, Andrew Evans, Ben Wrey and James Robinson

Hugh Priestley
has overall responsibility for the Company's investments and specialises in the United Kingdom, Continental Europe and other countries.

Andrew Evans
is responsible for the Company's venture and development capital investments.

Ben Wrey
is responsible for the Company's investments in North America. He is deputy chairman and group investment director of Henderson Administration Group plc.

James Robinson
is responsible for the Company's Japanese and other Far Eastern investments.

Company Secretary

Johnstone Brown
is the appointed company secretary on behalf of Henderson Administration Limited.

Shareholder Information

Analysis of Ordinary Shareholders at 31st December 1991

By Size of Holding	%
1 – 5,000	3·5
5,001 – 20,000	7·2
20,001 – 50,000	4·8
50,001 – 100,000	3·7
100,001 upwards	80·8

By Class of Holder	%
Investment and unit trusts	0·2
Private individuals	14·4
Banks & nominee companies on behalf of individuals, trusts and institutions	51·6
Insurance companies	15·5
Pension funds	6·6
Other institutions	11·7

Capital Gains Tax

The base costs of ordinary shares and warrants for capital gains tax purposes at 31st March 1982 are:

Ordinary shares 25p	32·98p
Warrants	7·70p

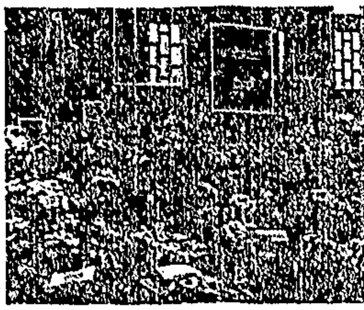
These values are given before indexation allowance and have been adjusted for the capitalisation issue in July 1986.

AITC

The Company is a member of the Association of Investment Trust Companies.

Annual General Meeting

The annual general meeting on 10th March 1992 will be held at the New Horticultural Hall, Greycoat Street, London SW1 at 7·00pm. There will then be a short presentation followed by a reception and the opportunity to view the exhibits at the Early Spring Show of the Royal Horticultural Society. The annual general meeting and presentation will be open to ordinary shareholders only but shareholders may bring a guest to the reception. If you wish to attend, please return the enclosed pre-paid card.



View of the flower exhibits after the annual general meeting

Share Saving Scheme and Personal Equity Plans

Details of the Henderson Investment Trust Share Saving Scheme and the 'Witan' Personal Equity Plan scheme for investing in Witan Investment Company plc can be obtained by contacting Investor Services on 071-410 4104 or Henderson Administration Limited at the address shown on page 7.

Share Price

The share price is quoted in the Financial Times, The Times, The Daily Telegraph, The Independent and the Evening Standard. The warrant price is quoted in the Financial Times.

Notice of Meeting

Notice is hereby given that the eighty-fourth annual general meeting of Witan Investment Company plc will be held at New Horticultural Hall, Greycoat Street, London SW1 on Tuesday 10th March 1992 at 7·00pm for the purpose of:

Routine business

1 Receiving and approving the directors' report and accounts for the year ended 31st December 1991

2 Declaring a final dividend.

3 Re-electing The Lord Inchyra as a director

4 Re-electing Mr D M Backhouse as a director.

5 Re-appointing the auditor at a fee to be determined by the directors.

Other Business to be proposed as ordinary resolutions:

6 Authorising directors to make contributions to political parties up to a maximum of £10,000 in any one financial year.

7 Authorising directors to make donations to charities up to a maximum of £30,000 in any one financial year.

By order of the Board
Henderson Administration Limited
Secretary
3rd February 1992 London

The annual general meeting will be followed by a short presentation and reception.

Proxy Vote

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote for him. A proxy need not be a member of the Company. A form of proxy for use at the above meeting is enclosed. The return of a proxy card duly completed will not preclude a member from attending and voting at the meeting.

Warrant Holders' Subscription Rights

A registered holder of a warrant has the right to subscribe for ordinary shares of 25p each in the Company on 31st March in 1992 and 1993 at a price of 76½p per ordinary share.

In order to exercise the subscription rights, the warrant holder must lodge the completed warrant certificate with the registrar of the Company on or within 28 days prior to the relevant subscription date, accompanied by a remittance for the subscription price.

Note

No director has a service contract with the Company.

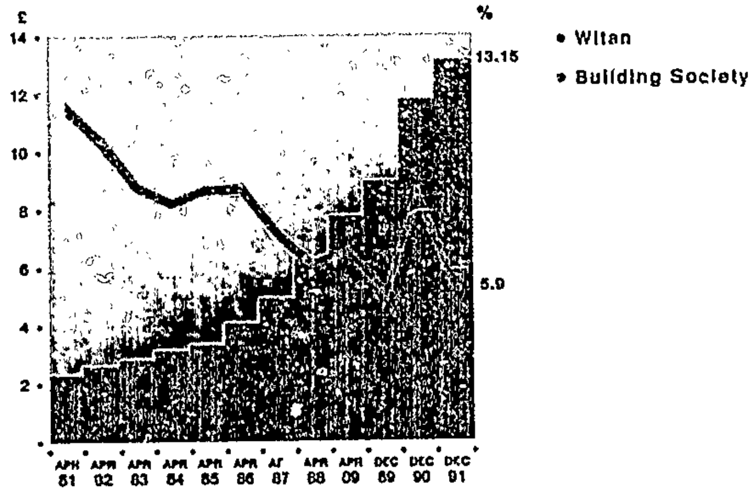
Registered Office

3 Finsbury Avenue, London EC2M 2PA
Registered in England: No 101625
Telephone: BT 071-638 5757
Mercury 071-410 4100
Telex: 884616 A/B GFRIAR G
Facsimile: 071-377 5742

Witan Investment Company plc is an investment company under S.266 of the Companies Act 1985.

Ten year record

Dividend Payments Compared with Building Society Interest



Dividends paid on £100 invested in Witan Investment Company plc compared with interest paid on £100 deposited with a building society at the higher rate of interest.

The number of shares in Witan Investment Company plc deemed to have been purchased with £100 in 1981, has been calculated using the market offer price of shares plus 3·5% in respect of expenses.
Source: Micropal

Net Asset Values, Earnings and Dividends

Year End	Net asset value per ordinary share in pence	Net asset value per warrant in pence	Gross revenue in £000s	Earnings per ordinary share in pence	Dividend per ordinary share in pence
30th April 1982	47·4	—	6,989	1·07	1·050
30th April 1983	70·8	—	7,495	1·16	1·125
30th April 1984	86·0	9·5	8,868	1·32	1·275
30th April 1985	99·1	22·6	11,453	1·40	1·375
30th April 1986	132·7	56·2	13,191	1·76	1·625
30th April 1987	167·0	90·5	15,620	2·15	2·000
30th April 1988	140·0	63·5	19,067	2·83	2·500
30th April 1989	168·9	92·4	20,949	3·29	3·125
31st December 1989†	191·3	114·8	21,728	3·68	3·625
31st December 1990	153·3	76·8	31,492	5·40	4·750
31st December 1991	**178·8**	**102·3**	**32,993**	**5·67**	**5·300**

Net asset values, earnings and dividends have been adjusted where appropriate for the one for one capitalisation issue in July 1986 and assume full subscription of outstanding warrants.

† Figures to 31st December 1989 are for an eight-month period.

Strategy Review

The year began with the Gulf conflict about to explode into open warfare, and the speed and success of Operation Desert Storm was heartening. However it became increasingly evident that the world economy was slowing and that, in the United Kingdom and United States, the widely forecast upturn would be late in coming. We therefore continued to adopt a cautious approach to equity investment; our prime aim was to conserve capital and to avoid high-risk situations.

Our gearing ratio ranged between 97 and 103, and the year ended with an ungeared position overall. We considered raising more long-term fixed-interest capital, but the cost was prohibitive in terms of our ability to generate a rising stream of dividends. Instead we continued to use derivatives in order to increase or decrease, to a modest degree, our exposure to individual stocks or markets. Fixed interest investment was increased by £14 million, all of it in the UK.

In terms of geographical mix the equity content of the UK and European portfolios was gradually reduced in favour of Latin America (£14 million), Japan (£9 million) and South Africa (£5 million). Within Latin America the major part of the new investment was in Mexico, which we believe does not carry the higher risks which are generally associated with southern America.

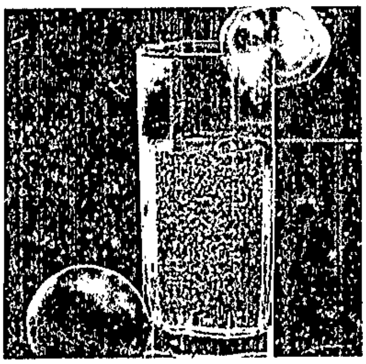
The opening months of a new calendar year are generally a time for optimism but we feel it is still right to be cautious short term. We are particularly concerned with the prospects for United Kingdom dividend growth, as indeed we were a year ago; in actual fact dividend income growth in 1991 surpassed our modest expectations, but the current year is unlikely to surprise on the upside. Elections in the US, and particularly in the UK, will make for volatile and uncertain markets. The economic recovery, when it comes, will be muted. German interest rates will remain high at least until the current wage round is over.

Come the second half of 1992, we will know who is governing the UK for the next period, although a hung parliament would create fresh uncertainties; German interest rates, and thus world rates, will be headed lower; a modest recovery will be in evidence as consumer confidence slowly returns. Stockmarkets will have anticipated these developments in advance, so we need to be in early; but not too early. To use a piscatorial analogy, there will be some exciting fish waiting to be caught when conditions improve, but the angler cannot afford to wade out too far while the river continues to rise.

Hugh Priestley

Not for the first time the United Kingdom enjoyed a strong first quarter, thanks to the ending of the Gulf War and expectations, encouraged by both Tory politicians and professional economists, of a recovery in the economy starting in the second half of 1991. Thus the All-Share Index rose in the first quarter from 1032 to 1193. It ended the year at 1188, so that in the final three quarters of the year the total return from equities was entirely accounted for by company dividends. In that nine-month period both gilts and cash produced better returns than the UK equity market – and indeed better returns than almost all world equity markets, adjusted for sterling. As it became clear that economic recovery was likely to be later and weaker than had been thought, investors increasingly opted for safety.

Water and Electricity utilities offer good dividend growth prospects



Dividends were under pressure in 1991, so it is pleasing to report that dividend cuts were only seen in SUMIT and North American Gas Investment Trust, both tiny holdings. Our exposure to the capital goods sector, already low, was reduced by the early sale of GKN. A very low weighting in banks, insurance and property – we held no quoted property shares at all – stood us in good stead. On the other hand the water sector, where we were overweight, underperformed in capital terms as the regulatory authorities were seen to take a tougher line on pricing, investment and dividend payouts. The Water Package split into ten component companies and we sold all but four of them, retaining a substantial position in Thames Water. The other major underperformer was the oil sector, although we reduced our positions in the exploration companies. Our holding in Henderson Administration underperformed the market marginally, while providing an excellent income return.

Elsewhere we sold the Hanson position in its entirety, as we did with Pearson Group, Fisons and Tarmac. Rechem was taken over by Shanks and McEwan and we reduced that holding after a disappointing profits statement; we also reduced in another waste management company, Leigh Interests as it, too, was seen to suffer from recessionary influences. Rockware was bid for by BTR and Daks Simpson was taken over for cash.

Towards the end of the year we began to take profits on some of the lower yielding stocks in the list, as we regularly do in order to reinvest to improve the overall income return; at the same time we took out a degree of insurance via the options market whereby, if the overall index fell to a certain level, Witan would gain on the option but still benefit if the market rose.

continued

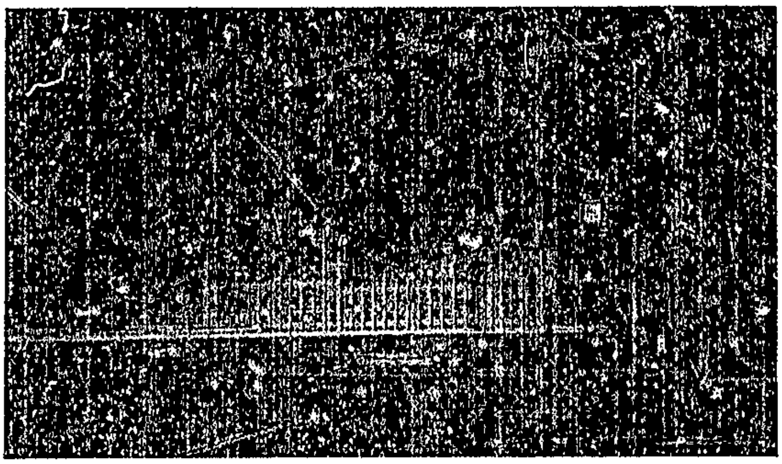
United Kingdom *largest investments*

£000s	Investments by value	% of UK portfolio
31,000	Henderson Administration Group, *investment management*	7·6
15,354	Glaxo Holdings, *pharmaceuticals*	3·7
13,865	Regional Electricity Companies Package, *electricity supply and distribution*	3·4
13,570	Greenfriar, *investment trust*	3·3
13,080	Thames Water, *water supply and sanitation*	3·2
12,450	Shell Transport and Trading, *oil exploration and marketing*	3·0
11,850	Electric and General, *investment trust*	2·9
11,278	Lowland, *investment trust*	2·8
10,580	British Gas, *gas supply*	2·6
9,648	W H Smith Group, *retailing and newspaper distribution*	2·4
9,135	Guinness, *breweries*	2·2
8,790	British Petroleum, *oil exploration and marketing*	2·1
8,000	Ocean Group, *transport and waste management*	2·0
7,720	MB-Caradon, *building supplies and cheque printing*	1·9
7,600	Allied Colloids, *speciality chemicals*	1·9
7,575	Courtaulds, *chemicals and fibres*	1·8
7,193	BET, *business services*	1·8
7,012	Barclays Bank, *banking*	1·7
6,190	Allied-Lyons, *food and drink manufacturing*	1·5
6,150	Prudential, *insurance*	1·5
218,040		53·3

United Kingdom *portfolio review continued*

In the fixed interest area we invested in the new Barings 9% irredeemable preference issue which was made to finance their purchase of a stake in Dillon Read. In December a total of £10 million was invested in medium-dated conventional gilts. These fixed interest purchases obviously provide a higher running yield than that available from the equity portfolio. As we stated last year, such investments are normally a temporary haven for funds; over the long term the returns from equities have beaten those available from fixed interest investments by a handsome margin, even during periods of low inflation.

Political events continue to shape the economic background



We are now in an election year. Even though the policies of the main contending parties appear at present to be more convergent than sometimes in the past, there remain significant differences in approach. The stockmarket will hope for a clear result, one way or another, but it may not get it, in which case, as in 1964 and 1974, a second election may shortly follow the first. The constraints of the Exchange Rate Mechanism may prevent any major political irresponsibilities actually becoming fact as opposed to being mere electoral promises, but it would be rash to make that assumption. Against this uncertain background we shall continue to avoid, where possible, companies likely to reduce or pass their dividends. Investment in recovery situations will have to be made on a gradual and selective basis; the rewards for timely and successful choice could be substantial, the penalties for wrong selection severe. To some degree, the target of improving the overall income return will encourage us to switch into higher-yielding equities, but we have to be sure that the yield thereon is at least maintainable and preferably likely to grow. We remain marginally overweight in utilities, since we still expect a progressive dividend return from this area with the regulatory risks very largely discounted. Further refinancing by companies seeking to redress their balance sheets will provide opportunities for investing our cash position.

Hugh Priestley

Unlisted Investments *portfolio review*

The year saw a tremendous swing in views on the unquoted market place. At first there was a general perception that transactions were overpriced, overgeared and therefore too risky. However, the reality was that most buy outs were financially sound. As the picture became clear so there was a marked change in sentiment.

Whilst the current economic climate has troubled many, it has resulted in some excellent buying opportunities amongst quality unquoted companies. It was pleasing to see large transactions again coming to prominence, most notably in the second half of the year, and there was no shortage of purchasers for good-quality equity. However, even the large deals were considerably smaller in value than the very big deals of the late 1980s. A limiting factor was the relative scarcity of bank finance.

The opportunity was taken to increase positions in two promising property companies, Bellhouse & Joseph and Ilex. Academy Sound & Vision, an independent record company specialising in classical music, strengthened its management and we subscribed to the subsequent rights issue. Newspaper Publishing, publishers of the *Independent*, also made a rights issue, but on this occasion we did not participate. Furnitureland held its own in very difficult trading conditions, but Witan (Personal Storage) ('WPS') suffered from cut backs in both personal and business expenditure. The freehold of the WPS site in Bristol was acquired late in the year.

There were good capital realisations from some of the overseas holdings. The investment in NEA III, an American venture capital fund, was sold and large capital distributions were received from Japanese venture funds. Discussions are under way for the sale of other investments both in the UK and overseas.

The emphasis is on well-established businesses with good track records; an example is Taunton Cider

A commitment of £10m has been made to the Henderson Unquoted Growth Equities Fund, a strategic move in response to the changing nature of the development capital market place. Through this investment, Witan has acquired an indirect interest in the management buy outs of Taunton Cider, Bristow Aviation and the buy in of National Express. In the past we have held a broadly based unlisted portfolio featuring investments in companies at various stages of development; in the future the emphasis will be towards well-established, more stable businesses. This should benefit Witan both in terms of capital growth and income.

Andrew Evans

North America *portfolio review*

Throughout the year 1991 the US economy remained in a recessionary condition. Consumer confidence was at a particularly low level in the period immediately preceding the Gulf War, and the sharp lift in that measure of sentiment following the successful conclusion of the war did give hope of an upturn in the economy. In the event, that proved to be a false dawn and by the Autumn it had become clear that the US economy was not responding, whilst other international economies were equally weak. Further stimulus through the lowering of interest rates was applied, the most dramatic move coming in late December when the Federal Reserve lowered the Discount Rate to 3·5%.

Against this background of obstinate recession, the strength of the upward move in the US stockmarkets is the more impressive. A rise of over 26% was seen in the Standard & Poors Composite Index, which was enhanced to over 30% for a sterling investor. The market was, as is invariably the case, discounting the assumed recovery to come. There is also little doubt that the sharp fall in interest returns from savings caused a substantial flow of private investor moneys from savings media and deposit accounts into the stockmarket.

The advance in the market did, however, contain wide divergences in performance. It has been our declared strategy to have a substantial commitment to companies with proven growth records and international exposure as well as to try to participate in the prospective recovery in the US economy. The former companies did particularly well, as investors proved willing to pay high price-earnings multiples to access the predictable growth characteristics of certain sectors. Pharmaceutical companies such as Johnson and Johnson and Merck, growth retailers such as Toys 'R' Us and Wal-Mart, and consumer product companies like Gillette and Philip Morris met this criterion.

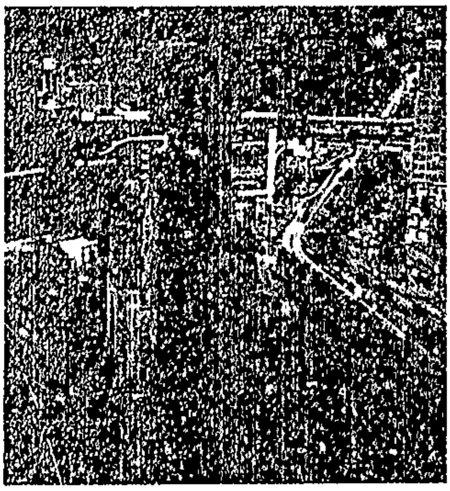
The opening-up of new consumer markets in Eastern Europe, China and South America provides major new opportunities for these last companies as consumers seek to acquire the high-quality products they offer, and following that theme, we have recently invested in Coca Cola.

It is our belief that the US economy will shortly be seen to respond to the low interest rate environment and we have investments such as Allied Signal, Du Pont, Fluor, General Electric and Union Pacific to participate in that process. The US Dollar remains at a level which makes American industry intensely competitive in the international arena. Many of the stocks named above stand to benefit from a general upturn in the global economy. They should be amongst the winners in a world of increasing international competition for trade in goods and services.

Ben Wrey

£000s	Investments by value	% of USA portfolio
6,451	Merck, *pharmaceuticals*	5·7
5,506	Wal-Mart Stores, *retailing*	4·8
5,323	Johnson & Johnson, *toiletries and pharmaceuticals*	4·7
5,290	Waste Management, *solid and chemical waste disposal*	4·7
4,717	Philip Morris, *tobacco, brewing and soft drinks*	4·1
4,589	Gillette, *shavers and personal care products*	4·0
4,497	General Electric, *electrical equipment, aerospace and technology*	4·0
4,383	Thermo Electron, *technology for industrial processes*	3·9
4,227	Apple, *computer systems*	3·7
3,938	Toys 'R' Us, *discount toy stores*	3·5
3,834	BankAmerica, *banking*	3·4
3,811	General Re, *re-insurance*	3·4
3,613	Du Pont, *chemicals, oil and gas*	3·2
3,531	Dillard Department Stores, *department stores*	3·1
3,500	Schlumberger, *oil field services and electronics*	3·1
3,487	Motorola, *semi-conductors and communication equipment*	3·1
3,446	Mobil, *oil and gas*	3·0
3,431	Coca Cola, *soft drink products*	3·0
3,301	American Home Products, *pharmaceuticals, medical and household products*	2·9
3,134	Chevron, *oil and gas*	2·8
84,009		74·1

Witan's European exposure was reduced during the year. The cost of German unification took its toll on European interest rates and the area underperformed the other major investment markets. The geographical closeness of Europe to Russia was a further adverse factor. Overall we brought Europe down from 9·9% to 7·6% of the portfolio. Our major emphasis at the year end was in France (2·4%) and Holland (1·4%) with 1·3% in Germany.



Whilst German unification costs are high, Berlin symbolises the will to succeed

In France we sold the holding in Suez. We also sold Air Liquide while adding to the BOC position in the UK – BOC was more cheaply rated. In Germany we sold out of our insurance holdings and out of Metallgesellschaft and took new positions in the stationery supplier Herlitz and the packaging company Schmalbach-Lubeca. We sold all the Swedish and the bulk of the Portuguese holdings while investing in KLM, the Dutch airline, and the Spanish retailer Tabacalera. Our holding in a Greek fund and in a Hungarian privatisation issue remained unchanged in amount and little changed in value.

We do not anticipate greatly increasing our European weighting in the short term. German interest rates will begin to come down once the Bundesbank is convinced that German inflation is headed downwards, and this will allow other European currencies to reduce rates alongside. However, the Russian problems will not soon or easily be resolved, and Yugoslavia rumbles on. Moreover with sterling in the ERM the chances of major currency gains (or losses) for UK investors in Europe are minimal; indeed sterling outperformed continental European currencies for most of 1991. But there is value in Europe, and given the relative illiquidity of most European markets we could see a sharp rise in prices once investor confidence returns.

Hugh Priestley

Continental Europe *largest investments*

£000s	Investments by value	% of Europe portfolio
5,080	Total, France, *oil exploration*	9·8
4,640	Elsevier, Holland, *publishing*	9·0
4,233	Schmalbach Lubeca, Germany, *packaging*	8·2
4,117	Alcatel, France, *communication*	8·0
3,286	S M H, Switzerland, *watch manufacturing*	6·4
3,040	Tabacalera, Spain, *tobacco and food retailing*	5·9
2,590	Canal Plus, France, *pay-tv*	5·0
2,565	Yves Saint Laurent, France, *haute couture*	5·0
2,393	K L M, Holland, *air transport*	4·6
2,388	M A N, Germany, *general engineering*	4·6
34,332		66·5

1991 was a year of sharply contrasting fortunes in the Far East. The Japanese stock market closed the year little changed in index terms although a stronger Yen enhanced returns in sterling. The other Asian markets, by contrast, performed very well with some, like Hong Kong, recording particularly good returns. Korea, however, was a notable exception to the general upward trend.

The Japanese economy is now well into an economic slowdown and in response to this the Bank of Japan reduced interest rates several times in the latter part of the year. The positive impact of monetary easing was however offset by a series of disappointing corporate profit announcements and downgradings which served to depress investor sentiment. Additionally the Japanese stockmarket has had to contend with valuation levels which are high by international standards. While interest rates could still fall further, a substantial rise in share prices may have to wait until economic conditions improve and corporate profits recover.

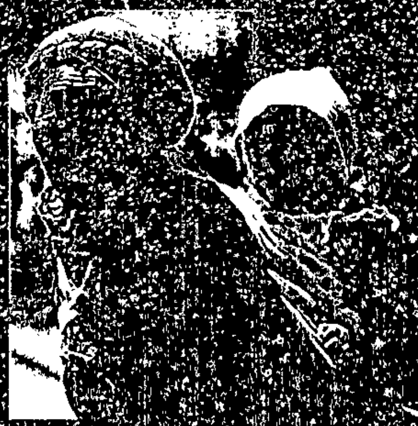
Other Far Eastern markets have not had to confront the same problems as Japan. Economic growth has continued at an encouraging level for most of these countries and stock market valuation levels are generally attractive in relation to growth prospects. While the Japanese economy is maturing many of the lesser developed Asian economies are continuing to enjoy a period of strong growth. The positive factors include cheap labour, a hard-working labour force, a developing consumer society and a high level of infrastructure spending. Furthermore, as the level of intra-regional trade increases, so the Pacific region becomes less dependent on economic growth elsewhere.

Japanese companies are often criticised for not paying out enough of their profits by way of dividends. While understandable, this criticism is only partly justified. In other countries, corporations generally pay higher dividends but this means that less money is retained within the business to finance future growth. Japanese companies as a whole out-invest their US counterparts by a factor of three to one and high dividend distribution would therefore mean a greater resort to outside financing. The car companies are a good example of this; last financial year Honda Motor, a company represented in your portfolio, spent over US$900 million on new plant and equipment together with a further US$1,500 million on research and development. Taken together these amounts represent over 20% of the parent company's total assets.

There is one other factor in favour of low-dividend distributions which is often overlooked. In a period of declining profits Japanese companies do not have to worry about their ability to maintain the dividend as there is little prospect of its being uncovered. They can therefore make decisions which are in the best interests of the business without having to sacrifice longer-term objectives.

James Robinson

Far East *largest investments*



£000s	Investments by value	% of Far East portfolio
3,719	HSBC Holdings, Hong Kong, *banking*	6·2
3,509	Yamanouchi, Japan, *pharmaceuticals*	5·9
3,432	Fujitsu, Japan, *electrical*	5·7
3,251	Ito-Yokado, Japan, *supermarket*	5·4
3,185	Matsushita Electric Industries, Japan, *electrical*	5·3
3,071	Singapore International Airlines, Singapore, *air transport*	5·1
3,069	Swire Pacific, Hong Kong, *conglomerate*	5·1
2,909	Tokyo Electron, Japan, *semi-conductor production equipment*	4·9
2,767	Tokio Marine & Fire Insurance, Japan, *insurance*	4·6
2,735	Mitsubishi Estate, Japan, *real estate*	4·6
31,647		52·8

Other Countries *portfolio return*

In terms of 'other countries' we invested £7m in leading South African industrial companies, taking the view that many racial barriers there have now come down and that investors will gradually recognise the merits of investing in South African shares, especially those related to consumption which will benefit from higher levels of prosperity; and that the currency too will be re-rated. We sold one holding, the steel combine Iscor, on a dividend cut but retain positions in Barlow Rand, First National Bank, formerly Barclays National Bank, and South African Breweries.

Opportunities in Mexico are attracting international investors

In Latin America we initially took a position in the successful Baring Puma Fund in order to achieve coverage of the total area, and built up positions in leading Mexican companies: Telmex (communications), Cifra (retailing), Cemex and Tolmex (cement), Kimberly-Clark (paper) and Banacci (banking and financial services). Of these the best performer to date has been Telmex which is now widely held by international investors. The Mexican authorities have brought their inflation rate down from over 200% to around 18% and are hopeful of achieving single-figure inflation in 1992. The creation of the North American Free Trade Area, embracing the United States, Canada and Mexico, should further encourage international investors.

In Brazil we have experienced a roller-coaster ride with Telebras, the Brazilian equivalent of British Telecom, whose shares frequently rise or fall by over 10% in a single day. At the time of writing we are showing a substantial profit in sterling terms, but are disinclined to invest further in Brazil until the inflation rate (over 20% monthly) begins to come under control.

In general we will follow a policy of *caveat emptor* in South Africa and Latin America, avoiding heavily promoted new issues or companies whose products are not basic necessities, and thus keeping the risk profile low. The guiding principle has to be opportunity cost – will these areas make more money for our shareholders than can be obtained in the more conventional markets? We are hopeful that they will.

Hugh Priestley

Analysis of Investments *at 31st December 1991*

Group		United Kingdom £000s	North America £000s	Continental Europe & other £000s	Japan & Far East £000s	Total 31st Dec 1991 £000s	Total 31st Dec 1990 £000s
Capital Goods Group (11·5%)	Building materials	4,153	–	4,290	–	8,443	7,139
	Contracting and construction	–	–	2,329	–	2,329	4,223
	Electricals	–	4,497	1,907	–	6,404	10,679
	Electronics	447	8,471	–	11,950	20,868	16,420
	Engineering – aerospace	–	3,048	–	–	3,048	3,530
	Engineering – general	4,168	3,039	2,388	–	9,595	8,809
	Metals and metal forming	5,600	–	–	–	5,600	7,781
	Motors	–	–	–	2,527	2,527	2,468
	Other industrial materials	9,583	4,384	2,675	–	16,642	4,867
		23,951	23,439	13,589	14,477	75,456	65,916
Consumer Group (24·4%)	Brewers and distillers	20,268	–	1,301	1,698	23,267	14,715
	Food manufacturing	958	4,179	–	–	5,137	3,477
	Food retailing	9,656	–	3,040	3,251	15,947	6,977
	Health and household	15,457	20,117	3,823	5,603	45,000	40,141
	Hotels and leisure	2,626	2,958	2,590	–	8,174	8,212
	Packaging and paper	–	2,836	4,233	600	7,669	5,188
	Media	12,166	–	5,242	–	17,408	14,083
	Stores	21,258	12,974	1,989	–	36,221	29,767
	Textiles	–	–	–	1,372	1,372	1,766
		82,389	43,064	22,218	12,524	160,195	124,326
Financial Group (24·9%)	Banks	7,012	3,834	3,700	5,188	19,734	16,184
	Insurance (life)	6,150	–	–	–	6,150	5,997
	Insurance (composite)	4,869	3,811	–	2,767	11,447	15,267
	Insurance (brokers)	903	47	–	–	950	795
	Merchant banks	3,040	–	1,303	–	4,343	4,273
	Property	5,003	1,356	135	2,735	9,229	5,455
	Other financial	13,227	2,423	3,721	11,358	30,729	32,312
	Investment management	31,000	–	–	–	3 ,000	27,250
	Investment trusts	47,790	–	1,852	–	49,642	42,434
		118,994	11,471	10,711	22,048	163,224	149,967
Industrial Group (9·9%)	Oil and gas	43,253	16,289	5,080	–	64,622	72.540
Other Groups (24·8%)	Business services	13,546	–	–	–	13,546	5,624
	Chemicals	30,151	6,642	–	–	36,793	38,108
	Conglomerates	7,852	4,717	685	5,064	18,318	27,485
	Electricity	14,217	–	4,117	–	18,334	8,128
	Telephone networks	5,910	–	4,997	–	10,907	8,920
	Transport	8,000	2,765	2,393	4,253	17,411	10,259
	Water	23,476	–	–	–	23,476	37,320
	Miscellaneous	8,697	5,290	8,409	1,593	23,989	24,939
		111,849	19,414	20,601	10,910	162,774	160,783
Fixed Interest (4·5%)	Non-convertibles	19,845	–	–	–	19,845	4,950
	Convertibles	9,726	–	–	–	9,726	4,136
		29,571	–	–	–	29,571	9,086
Total (100·0%)		410,007	113,677	72,199	59,959	655,842	582,618
	Total % 1991	62·6	17·3	11·0	9·1	100·0	
	Total % 1990	66·9	15·8	9·4	7·9		100·0

Directors' Report

Principal Activities, Business Review and Dividends

The Company is an investment company as defined in S.266 of the Companies Act 1985. It carries on the business of an investment trust and has been approved in respect of the year ended 31st December 1990 by H.M. Inspector of Taxes under Section 842 of the Income and Corporation Taxes Act 1988. The directors are of the opinion that the Company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The Company is not a close company and has no employees. During the year the Company's investment in Glasgow was restructured for subsequent disposal in the short term, through Witan Properties Limited, a wholly owned subsidiary.

It is recommended that revenue from ordinary activities after taxation be dealt with as follows:

	£000s
Dividends	
Preference	83
Interim ordinary paid	8,543
Final ordinary recommended	9,568
Retained revenue	1,267
	19,461

During the year donations to charities totalling £26,190 were made and a contribution of £10,000 was made to the Conservative Party.

Other Business at Annual General Meeting

The notice of meeting includes other business, which will be proposed as ordinary resolutions, renewing the authority of directors to make contributions to political parties and donations to charities within prescribed limits. It is intended that the authority will be renewed every three years.

Directors

The directors in office throughout the year are listed on page 4.

At the forthcoming annual general meeting The Lord Inchyra and Mr D M Backhouse will retire and offer themselves for re-election. The Lord Faringdon, Mr H M Priestley and Mr D M Backhouse are directors of Henderson Administration Group plc. The Lord Faringdon and Mr H M Henderson are partners of Cazenove & Co, which is one of the brokers through which the Company buys, sells and lends investments. Mr R P St G Cazalet is a director of The Law Debenture Corporation plc, trustee of the 6¼% debenture stock.

Substantial Shareholdings

The following shareholders have notified the Company of interests comprising 3% or more of the Company's ordinary share capital as at 31st December 1991.

Prudential Corporation Group of Companies – 24,232,012 shares (7·1%)

British Coal Pension Funds – 20,922,780 shares (6·1%)

Postel Investment Management Limited – 17,392,286 shares (5·1%)

Schroder Investment Management Limited – 10,311,116 shares (3·0%)

On 9th January 1992, Prudential Corporation Group of Companies reduced their interest to 23,902,012 shares (6·9%). On 15th January 1992, Schroder Investment Management Limited reduced their interest below 3%. No other changes have been notified to the date of this report.

Personal Equity Plans

The Company intends to continue as a fully qualifying investment trust under the Personal Equity Plan Regulations.

Directors' Interests

The interests of the directors of the Company were:

Ordinary Shares	At 31st December 1991 Beneficial	At 31st December 1991 Non-Beneficial	At 31st December 1990 Beneficial	At 31st December 1990 Non-Beneficial
The Lord Faringdon	357,932	2,504,110	354,126	4,157,732
H M Priestley	—	—	—	—
R P St G Cazalet	22,132	351,500	22,252	351,500
The Lord Inchyra	5,477	—	5,000	—
D M Backhouse	13,548	15,000	12,500	15,000
Sir John Milne	—	—	—	—
H M Henderson	576,542	209,800	576,542	209,311
W A Cathcart	2,000	—	2,000	—
	977,631	3,080,410	972,420	4,733,543
Adjusted total*	977,631	2,796,410	972,420	4,390,922
Warrants				
The Lord Faringdon	309,087	230,184	309,087	500,847
H M Priestley	21,000	—	21,000	—
R P St G Cazalet	2,212	24,600	2,224	38,400
The Lord Inchyra	80	—	80	—
D M Backhouse	—	—	—	—
Sir John Milne	—	—	—	—
H M Henderson	101,290	11,131	101,290	11,131
W A Cathcart	—	—	—	—
	433,669	266,115	433,681	550,378
Adjusted total*	433,669	250,115	433,681	514,917

*Adjusted total reflects reductions made to offset holdings duplicated by joint trusteeships.

Cumulative preference shares and debenture stocks.
At 31st January 1991, The Lord Faringdon held 18,400 of the 3·4% preference shares as trustee (1990: 18,400).
No director held any interest in the debenture stocks of the Company.
No changes in the above interests of directors have been notified by the date of this report.

Management Contract

Henderson Administration Limited, a wholly owned subsidiary of Henderson Administration Group plc, provides investment management and secretarial services to the Company. These services can be terminated by either party at any time giving two years' notice of termination. The fee in respect of listed investments is based on assets employed less the value of holdings in Henderson Administration Group plc and Henderson-managed funds and is calculated at the rate of 0·25% per annum. From 1st April 1991, the fee in respect of unlisted investments has been calculated at various rates averaging 0·7% of the value of these investments and a performance-related fee may be charged on disposals.

Auditor

The auditor, Coopers & Lybrand Deloitte, has indicated its willingness to continue in office and a resolution re-appointing it and authorising the directors to determine its remuneration will be submitted at the annual general meeting

By order of the board
Henderson Administration Limited
Secretary

London
3rd February 1992

Revenue Account *for the year ended 31st December 1991*

Notes		1991 £000s	1990 £000s
	Income		
1	From fixed asset investments		
	Franked	23,614	21,514
	Unfranked	6,042	6,423
		29,656	27,937
	From interest receivable and similar income		
	Interest on short-term deposits	2,575	2,827
	Other income	762	728
		32,993	31,492
	Interest and Expenses		
2	Interest payable	(4,200)	(4,248)
3	Administrative expenses	(2,527)	(1,932)
	Revenue from ordinary activities before taxation	26,266	25,312
4	**Taxation**		
	Taxation on ordinary activities	(6,805)	(6,771)
	Revenue from ordinary activities after taxation	19,461	18,541
	Dividends		
	Preference	(83)	(83)
	Interim ordinary of 2·50p per share (1990: 2·25p)	(8,543)	(7,688)
	Proposed final dividend of 2·80p per share (1990: 2·50p)	(9,568)	(8,542)
		(18,194)	(16,313)
11	**Retained Revenue**	1,267	2,228

		1991 pence	1990 pence
5	**Earnings per ordinary share**	5·67	5·40

The notes on pages 27 to 32 form part of these accounts

Balance Sheet *at 31st December 1991*

Notes		1991 £000s	1990 £000s
6	**Fixed Asset Investments**		
	Listed in United Kingdom	386,719	368,218
	Listed abroad	234,300	183,698
	Unlisted at market value	5,846	7,469
	Unlisted at directors' valuation		
	Subsidiaries	4,605	–
	Other	24,372	23,233
		655,842	582,618
	Net Current Assets		
7	Current assets	54,656	34,378
8	Creditors: amounts falling due within one year	(13,437)	(15,499)
		41,219	18,879
	Total assets less current liabilities	697,061	601,497
9	Creditors: amounts falling due after more than one year	(49,151)	(49,151)
	Net assets	647,910	552,346
	Capital and reserves		
10	Called-up share capital		
	Preference shares	2,555	2,555
	Ordinary shares	85,426	85,417
11	Reserves — non distributable		
	Share premium account	69	49
	Realised profits	350,466	305,499
	Unrealised profits	200,348	151,047
11	Revenue reserve	9,046	7,779
		647,910	552,346

The accounts on pages 24 to 32 were approved by the directors on 3rd February 1992 and were signed on their behalf by:

The Lord Faringdon

H M Priestley

The notes on pages 27 to 32 form part of these accounts

Source and Application of Funds *for the year ended 31st December 1991*

	1991 £000s	1990 £000s
Source of Funds		
From operations		
Revenue on ordinary activities before taxation	26,266	25,312
Sale of equities	275,851	196,113
	302,117	221,425
From other sources		
Shares issued	28	14
	302,145	221,439
Application of Funds		
Dividends paid	(17,168)	(20,156)
Taxation paid	(7,574)	(8,004)
Redemption of debentures	–	(2,758)
Loss on currencies	(208)	(1,066)
Purchase of fixed interest stocks	(10,339)	(5,202)
Purchase of equities	(244,259)	(169,503)
	(279,548)	(206,689)
Net Source of Funds	22,597	14,750
Represented by Movements in		
Sales and purchases for future settlement	33,575	8,480
Debtors	(310)	54
Creditors	(495)	(91)
Short-term deposits and bank balances	(10,173)	6,307
Increase in liquidity	22,597	14,750

The notes on pages 27 to 32 form part of these accounts

Notes on the Accounts

Accounting Policies

i) The accounts have been prepared on the historical cost basis of accounting modified to include the revaluation of certain assets and comply with applicable accounting standards.

ii) Associated companies are accounted for under the equity method of accounting.

iii) Listed and certain unlisted investments in the United Kingdom are valued at their middle market prices, and elsewhere either at their closing or middle prices as published by various recognised sources. Other unlisted investments, including insignificant holdings and holdings in excess of 20% which are held for resale in the short term, are valued by the directors according to information available. Listed investments include authorised UK unit trusts and are classified for valuation purposes according to the principal geographical area of the underlying holdings.

iv) All foreign currency assets and liabilities including futures and forward transactions are converted into sterling at the closing rate of exchange ruling at the balance sheet date. Profits and losses arising therefrom are taken direct to reserves.

v) Income and expenses are included on an accruals basis, income from investments being included where the dates of payment fall within the year.

vi) Deferred taxation is calculated at current rates of taxation and represents adjustments in respect of accrued net interest and net corporation tax payable on accrued overseas dividends.

vii) The purchase and cancellation of the Company's own debentures is treated as an investment activity and profits arising therefrom are taken direct to reserves.

1 Income from Investments

	1991 £000s	1990 £000s
Listed – Dividends	27,637	25,462
– Interest	172	362
Unlisted – Dividends	579	791
– Interest	1,268	1,322
	29,656	27,937

Supplementary statement showing the share of results of associated companies

	1991 £000s	1990 £000s
Revenue from ordinary activities of associated companies before taxation	2,824	3,458
Less taxation on revenue on ordinary activities	(1,020)	(1,066)
Revenue from ordinary activities after taxation	1,804	2,392

Dividends receivable from associated companies are included in the Revenue Account and amounted to £3,609,879 (1990: £3,180,230).

2 Interest Payable on debenture stocks, overdrafts and loans

	1991 £000s	1990 £000s
Repayable within 5 years	130	93
Repayable in more than 5 years	4,070	4,155
	4,200	4,248

3 Administrative Expenses

	1991 £000s	1990 £000s
Management expenses†	2,318	1,739
Bank charges and safe custody fees	127	115
Directors' fees (see over)	59	57
Auditor's remuneration	23	21
	2,527	1,932

† The management fee totalled £1,710,398 (1990: £1,267,780) excluding VAT.

	1991 £000s	1990 £000s
Directors' Fees		
For services as directors	59	57
Chairman and highest-paid director – included above	10	10
Other directors	Number	Number
£5,001 – £10,000	7	7

		1991 £000s	1990 £000s
4	**Taxation on Ordinary Activities**		
	Tax credits applicable to franked income	5,903	5,379
	UK corporation tax at 33% (1990: 34%)	883	1,260
	Foreign withholding tax	903	972
	Prior year adjustment	(27)	71
		7,662	7,682
	Overseas taxation reclaimable	(228)	(318)
	Double taxation relief	(602)	(623)
		6,832	6,741
	Transfer (to)/from deferred taxation account	(27)	30
		6,805	6,771

No provision has been made for advance corporation tax amounting to £1,950,000 (1990: £1,824,000) on the shortfall of franked investment income after making provision in these accounts for the proposed final dividend. This will be covered by the receipt of further franked investment income before advance corporation tax on the final dividend becomes payable.

5 **Earnings per Ordinary Share** are calculated by dividing revenue from ordinary activities after taxation, as reduced by the provision for preference dividends, by 341,705,487 ordinary shares in issue (1990: 341,668,994).

6 **Fixed Asset Investments**

i) Where the Company holds more than 20% of a class of equity share capital and exercises, or is in the position to exercise, significant influence over the Company, the holding is treated as an associated company under the equity method of accounting as defined in SSAP 1.

Where the financial statements of associated companies are made up to a date which is more than six months before the Company's year end, and the amounts are significant, published interim results have been included.

Companies incorporated in Great Britain (GB) are registered in England and Wales.

All companies trade principally in their country of incorporation.

ii) The Company holds 20% or more of a class of equity of the following companies:

Name of Company	Country of incorporation	Class of shares	% held of the class
Academy Sound & Vision Limited *(May 1991 adjusted)*	GB	Ordinary	25·5
Issued share capital £1,093,597, deficit on reserves £1,150,405			
Cost of investment £463,329, share of post acquisition deficit £293,353			
Gavel Securities Limited *(December 1990)*	GB	Ordinary	25·6
Issued share capital £1,127,251, reserves £541,179		Conv. Pref	25·6
Cost of investment £831,271, share of post acquisition reserves £138,542			
Greenfriar Investment Company plc *(Interim June 1991)*	GB	Ordinary	42·3
Issued share capital £2,880,000, reserves £36,470,000		Warrants	42·3
Cost of investment £1,801,288, share of post acquisition reserves £15,427,000			

Name of Company	Country of incorporation	Class of shares	% held of the class
Henderson Administration Group plc *(Interim September 1991)*	GB	Ordinary	23·6
Issued share capital £5,288,034, reserves £60,402,000			
Cost of investment £1,499,516, share of post acquisition reserves £14,254,872			
Lessar Brothers Limited *(December 1990)*	GB	Ordinary	25·7
Issued share capital £40,000, reserves £773,516			
Cost of investment £20,215, share of post acquisition reserves £198,794			
Lowland Investment Company plc *(September 1991)*	GB	Ordinary	24·9
Issued share capital £5,871,206, reserves £43,730,000			
Cost of investment £646,312, share of post acquisition reserves £10,889,000			
NAS Insurance Services Inc USA *(September 1991)*	USA	Ordinary	20·0
Issued share capital US$612,000, reserves £9,309			
Cost of investment £376,481, share of post acquisition profit £1,862			
ODH Financial Markets B.V. *(10 months to October 1990)*	Netherlands	Ordinary	40·0
Issued share capital DFL 2,000,000, reserves £2,755,539			
Cost of investment £691,902, share of post acquisition reserves £1,102,216			
Pacific Fruit Limited *(November 1990 adjusted)*	Jersey	Ordinary	47·2
Issued share capital £65,932, reserves £2,920,439			
Cost of investment £530,633, share of post acquisition reserves £1,378,447			
Strata Investments plc *(October 1991)*	GB	Ordinary	21·7
Issued share capital £3,802,917, reserves £17,286,000		Warrants	21·9
Cost of investment £3,300,000, share of post acquisition reserves £3,751,062			
Viniberia Limited *(September 1991)*	GB	Ordinary	20·4
Issued share capital £264,375, reserves £618,345		10% CC Pref	24·7
Cost of investment £101,763, share of post acquisition reserves £126,142			

Summary of investments in associated companies	1991 £000s	1990 £000s
Cost		
At 1st January	10,711	11,182
Additions	200	—
Disposals	(905)	(471)
At 31st December	10,006	10,711
Share of post acquisition reserves		
At 1st January	45,218	45,342
Unrealised reserves	256	(1,669)
Retained revenue for the year	1,500	1,545
At 31st December	46,974	45,218
Market value 31st December	63,015	54,972

iii) The Company holds 10% or more of any class of shares of the following companies:

Name of Company	Country of incorporation	Class of shares	% held of the class
Barings plc	GB	Non-Cum Pref	10·0
Electric and General Investment Company plc	GB	Ordinary	11·1
Furnitureland plc	GB	Ordinary	12·3
Henderson Highland Trust plc	GB	Ordinary	19.2
		Warrants 1996-99	19·2

Name of Company	Country of incorporation	Class of shares	% held of the class
Nippon Investment Finance	Japan	Part units No. 3	12·6
Ocean Diamond Mining Inc	USA	Ordinary	11·3
ODH Communications Group Holdings	Netherlands	Ordinary	17·5
		Priority	10·0
Orix Capital Corporation	Japan	Units	10·0
Venture Founders Capital Limited	Jersey	'A' Ordinary	15·0
		Red. Pref	15·0

iv) Subsidiary companies are as follows:

Name of Company	Country of incorporation	Principal activity	Class of shares	% held
Company held for resale in the short term:				
Witan Properties Limited	GB	Property company	Ordinary	100

The company was incorporated as Legishelfco No. 116 Limited on 31st October 1991 and changed to its existing name on 9th December 1991. To the date of this report no accounts have been prepared.

There is a first charge on the property and a floating charge on all other assets owned by the company.

Name of Company	Country of incorporation	Principal activity	Class of shares	% held
Companies which are not significant:				
Witan (Personal Storage) Limited	GB	Self-access storage	Ordinary	100
WPS Properties Inc.	USA	Self-access storage	Common	100
The Carlton Trust Limited	GB	(Members' voluntary liquidation)	Ordinary	65

Unaudited results for the subsidiaries:

	WPS Properties Inc.		Witan (Personal Storage) Ltd	
	Year to 31st Dec 91 £000s	Year to 31st Dec 90 £000s	Year to 31st Dec 91 £000s	Year to 31st Dec 90 £000s
Loss before taxation	(41)	(43)	(642)	(298)
Taxation	(1)	(6)	–	–
Loss after taxation	(42)	(49)	(642)	(298)
Net assets/(liabilities)	531	576	(634)	(696)

v) Changes in investments

	Valuation 31st Dec 1990 £000s	Purchases £000s	Sales £000s	Appreciation (Depreciation) £000s	Valuation 31st Dec 1991 £000s	Cost 31st Dec 1991 £000s
United Kingdom	390,105	157,843	190,021	50,678	408,605	251,564
North America	91,795	31,778	41,605	33,111	115,079	79,876
Europe and other	54,971	39,693	29,988	7,524	72,200	62,925
Japan & Far East	45,747	21,866	14,237	6,582	59,958	61,129
	582,618	251,180	275,851	97,895	655,842	455,494
Comprising:						
Subsidiaries	—	5,408	224	(1,327)	3,857	12,170
Associated undertakings	54,972	200	904	8,747	63,015	10,006
Other investments	527,646	245,572	274,723	90,475	588,970	433,318
	582,618	251,180	275,851	97,895	655,842	455,494

7 **Current Assets:** Amounts falling due within one year

	1991 £000s	1990 £000s
Sales for future settlement	30,530	426
Other debtors	32	251
Short term deposits and bank balances	23,133	33,306
Prepayments and accrued income	41	132
Taxation	650	–
Deferred taxation at 25%	270	263
	54,656	34,378

8 **Creditors:** Amounts falling due within one year

	1991 £000s	1990 £000s
Purchases for future settlement	1,676	5,147
Recommended final ordinary dividend	9,568	8,542
Preference dividends	38	38
Other creditors	1,092	597
Debenture interest accrued	1,063	1,063
Taxation	–	112
	13,437	15,499

9 **Creditors:** Amounts falling due after more than one year

	1991 £000s	1990 £000s
Redeemable other than in instalments between one and five years:		
6·75% debenture stock 1990-95	1,151	1,151
8% debenture stock 1996-99	2,000	2,000
Redeemable other than in instalments after five years:		
8·5% debenture stock 2016	46,000	46,000
	49,151	49,151

The above debentures are secured by a floating charge.

10 **Share Capital**

	No of shares	1991 £000s	1990 £000s
Allotted, called-up and fully paid			
3·4% cumulative preference shares of £1	2,055,000	2,055	2,055
2·7% cumulative preference shares of £1	500,000	500	500
Ordinary shares of 25p each	341,705,487	85,426	85,417
Called-up share capital		87,981	87,972
Unissued shares of 25p each	48,074,513	12,019	12,028
Authorised		100,000	100,000

Warrants

There are 33,597,607 warrants to subscribe for ordinary shares of 25p each in issue. The warrants may be exercised on 31st March 1992 and 1993 at the price of 76·5p per ordinary share in accordance with the note shown on page 7.

On 31st March 1991 warrant holders exercised their rights to subscribe for 36,493 ordinary shares for a consideration of £27,917.

11 **Reserves**

	Non-distributable			Distributable
	Share premium £000s	Realised £000s	Unrealised £000s	Revenue £000s
At 31st December 1990	49	305,499	151,047	7,779
Profit on investments	–	45,175	49,301	–
Losses on currencies	–	(208)	–	–
Warrants exercised	20	–	–	–
Retained revenue for the year	–	–	–	1,267
At 31st December 1991	69	350,466	200,348	9,046

Notes on the Accounts *continued*

12 **Loan Facility**

There is an overdraft facility of £15m and a multi-currency term loan facility of £35m from the Company's bankers to 31st May 1992. Any drawings on these facilities are secured by a memorandum of deposit.

13 **Contingent Liabilities**

There is a potential claim against the Company of approximately £300,000 through a United States court in relation to an undisclosed taxation liability in an investment sold by the Company in 1983. The directors do not believe that a provision is required.

There are contingent liabilities in respect of securities not fully paid up of £14,440,742 (1990: £19,214,303) and underwriting liabilities of £NIL (1990: £470,000).

A guarantee has been given in respect of a bank loan of US$498,750 (1990: US$498,750) by an associated company and in respect of interest shortfall on a loan facility taken out by a subsidiary company.

Report of the auditor to the members of Witan Investment Company plc

We have audited the accounts on pages 24 to 32 in accordance with auditing standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31st December 1991 and of its revenue and source and application of funds for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants and Registered Auditor

3rd February 1992
London