The Throgmorton Trust PLC is an investment trust company.

OBJECTIVE

To provide shareholders with an attractive total return combining capital growth with increasing dividend income through investment predominantly in listed UK smaller companies.

Contents

Page

Financial Calendar and Key Figures 2

Chairman's Statement 3

Manager's Review 6

Statistical Information 8

Directors 14

Report of the Directors 15

Auditors' Report 21

Revenue Account 22

Balance Sheet 23

Statement of Total Recognised Gains and Losses 24

Reconciliation of Movements in Shareholders' Funds 25

Cash Flow Statement 26

Accounting Policies 27

Notes to the Accounts 28

Notice of Meeting 35

FINANCIAL CALENDAR 1999

Annual general meeting	March
Ordinary dividends paid	March (final) and August (interim)
Preference dividends paid	31 January and 31 July
Debenture and loan stock interest paid	
7.25% 2003	31 May and 30 November
12 5/16% 2010	31 May and 30 November
Preliminary figures announced	February
Report and accounts posted	February
Half-yearly figures announced	July

KEY FIGURES

	1998	1997	Change %
Revenue			
Earnings per share	2.45p	2.27p	7.93
Dividends: Interim	0.92p	0.90p	2.22
Proposed final	1.50p	1.45p	3.45
Total	2.42p	2.35p	2.98
Capital at 30 November			
Total assets less current liabilities	£304.4m	£341.8m	-10.94
Equity shareholders' funds	£251.5m	£288.9m	-12.95
Net asset value per ordinary share (loan stock not converted)	82.8p	95.1p	-12.93
Prices at 30 November			
Ordinary shares	67.8p	84.5p	-19.82
7.25% convertible loan stock 2003	£104.5	£96.5	8.29
Comparative Indices at 30 November			
FTSE All-Share	2,626.86	2,288.64	14.78
FTSE SmallCap (ex Inv Trusts)	2,017.00	2,279.70	-11.52

AITC *Member of the Association of Investment Trust Companies*

CHAIRMAN'S STATEMENT

After an encouraging performance in the first half of last year, the market value of small companies suffered badly during the second half of 1998. Thus, although the Trust received increased income from its investments, enabling a higher dividend to be paid, in capital terms the outcome for the year as a whole was very disappointing.

Net Asset Value

At 30 November 1998 the net asset value was 82.8p per share compared with 95.1p at the end of the previous November, a decline of 12.9%.

Under a new accounting standard (FRS 13) companies are required to state the effect on their balance sheets of applying a market-based value to their fixed-interest debt and share capital. In our case this would have had the effect of increasing the total of such debt and capital at 30 November 1998 from £52.9million to £73.7million, equivalent to a reduction in net assets of £20.8million, or 6.8p per share. Put another way, this represents the premium placed by the market on the value of the Trust's fixed-interest securities in recognition of the fact that their coupons are substantially above current rates of interest. No such premium, of course, would be payable when high coupon debentures are redeemed at maturity.

Revenue and Dividend

Revenue of the Trust, after tax, was £7.5million, an increase of £0.5million over the previous year. Dividend income rose from £12.4million to £12.9million, with many companies in the portfolio increasing their distributions.

The directors recommend a final dividend of 1.50p per share (1997: 1.45p), making a total for the year of 2.42p (1997: 2.35p).

As I explained last year, an adverse change in the treatment of Advance

Corporation Tax ("ACT") was introduced in the July 1997 Budget. Investment trusts are no longer able to recover tax credits on dividends received, by offset against interest paid or management expenses. For Throgmorton the full annual effect of this, in terms of extra tax payable, is estimated to amount to approximately £0.5million, but for 1997/8 there has been a tax reserve of £0.3million to offset against it. In the current year there is no further tax reserve available.

Portfolio

At the half-year stage I was able to report that the net asset value of the Trust had increased by 23.5% during the six months to 31 May 1998, outperforming both the FTSE SmallCap (ex Inv Trusts) Index (up 21.9%) and the FTSE 100 Index (up 21.5%) over the same period. During the six months to 30 November 1998, however, small companies experienced the worst market conditions for many years. In capital terms the SmallCap Index fell by 27% during those six months, compared with a fall of 2% in the largest companies as represented by the FTSE 100 Index. Small companies were perceived to be more vulnerable to weakening economic conditions resulting from the strength of the pound, and the lack of liquidity in their shares discouraged interest from institutional investors. This led to a relative decline in the SmallCap Index of more than 30% in the twelve months to 30 November, compared with the FTSE 100 Index.

Against such a background the management of a small companies portfolio presented unusual problems. Nevertheless, during the last financial year Throgmorton's portfolio outperformed its benchmark on a total return basis, falling by 5.9% against a decline in the SmallCap Index total return of 8.9%. While this was a very creditable performance under the circumstances, the effect of the Trust's high level of gearing at a time of falling share prices resulted in a decline in its net asset value of 12.9% over the period compared with an 11.5% fall in the SmallCap Index.

Preference Shares

Since 1966, the Trust has had in issue 1.5million 7.25% cumulative first preference shares of £1 each. As a result of the abolition of ACT with effect from 6 April 1999 the Trust will from that date have to pay the dividend on its preference shares, if they remain in issue, at the full rate of 7.25% instead of net of tax. This will have the effect of increasing the cost to the Trust of servicing the preference shares by £32,625 per annum. Since the preference shares no longer constitute a material part of the Trust's capital, your directors believe that the capital of the preference shares should be repaid in accordance with the articles of association by means of a reduction of capital, to be sanctioned by the court. This will require resolutions to be passed with a 75% majority of ordinary shareholders and convertible loan stockholders, as explained in the accompanying circular.

CHAIRMAN'S STATEMENT

Outlook

Prospects for 1999 are exceptionally difficult to judge. The slowdown in the UK economy has become much more evident in recent months. With the financial problems in Asia and other emerging markets now affecting activity worldwide, fears of inflation in the UK have given way to growing concern about avoiding a recession and further reductions in interest rates are expected. Although retail trade has so far held up relatively well, there have been increasing signs of difficulty in manufacturing, particularly for companies reliant upon export markets. Recent comments by many company chairmen have been considerably less optimistic and it is unrealistic to expect much, if any, growth in earnings from small companies as a whole in 1999. However, the disparity in rating between smaller and larger companies is now so wide that some improvement in the relative performance of smaller companies is looking increasingly likely, if not from renewed investor interest then as a result of restructuring or other corporate activity.

Stewartby

Lord Stewartby
Chairman

8 February 1999

MANAGER'S REVIEW

Market Review

In the twelve months to 30 November 1998, the capital return of the FTSE SmallCap (ex Inv Trusts) Index was -11.5%. This was disappointing for the asset class as the FTSE All-Share Index increased by nearly 15% over the same period.

The early months of 1998 saw a welcome improvement in the relative performance of smaller companies. The catalyst was a stronger reporting season than had previously been expected. However, despite results that were better than feared the tenor of the chairmen's statements which accompanied them became increasingly downbeat.

The unexpected interest rate rise on 4 June refocused investor attention towards the strength of sterling and its effect on future corporate earnings. Fear of further interest rate rises and the prospect of a hard landing translated into a mark down of smaller company share prices, with those companies perceived to be vulnerable to both sterling and interest rates falling the most.

In August, concerns regarding emerging markets came to a head, and bad news from Russia and the Far East raised fears of a global downturn. Again, smaller companies were adversely affected because of their greater exposure to domestic general industrials which were deemed to be most at risk. Asset allocation decisions, as well as redemptions from open-ended funds, meant that investors raised cash out of an unwilling market. In August the FTSE SmallCap (ex Inv Trusts) Index recorded its biggest monthly capital fall (over 13%) since it was launched at the end of 1992.

By mid-October the results of the June reporting season gave comfort that many of the indiscriminate smaller company price falls had been overdone. More recently interest rate reductions have helped to retain confidence, albeit at lower levels, but investors continue to prefer to hold cash rather than shares in smaller companies.

Overall the FTSE SmallCap (ex Inv Trusts) Index recorded a 27% capital fall between 31 May 1998 and 30 November 1998.

Portfolio Review

On a total return basis, the FTSE SmallCap (ex Inv Trusts) Index fell by 8.9% reflecting the weakness of smaller companies during the financial year. This compares with the 5.9% fall of the portfolio over the same period.

However, the performance of the net asset value (loan stock not converted) was disappointing due to the negative effect of the Trust's 15% gearing and the costs associated with that debt.

The outperformance of the portfolio was derived from stock selection. The principal theme was the continued reduction in the portfolio's weighting in the general industrials sector and the increased investment in support services.

Owing to ongoing concerns over the outlook for currency sensitive capital goods stocks, the exposure within the general industrials sector continued to be reduced. At 30 November 1998 the Trust's weighting in general industrials was 27.6% compared to 30.4% for the benchmark index. Absolute weightings were increased in the more domestically orientated construction sub-sectors with further additions to Crest Nicholson and new shareholdings in Bovis Homes and Morgan Sindall.

The service sector weightings have remained broadly in line with the benchmark. However, this masks a general reorientation on a sub-sector basis. As at 30 November 1997 support services represented 8.4% of the portfolio, which was slightly below the benchmark. Given the strong performance of Capita, Admiral and Druid, coupled with additions of Zergo and Guardian I.T., the Trust's weighting at 30 November 1998 had increased to 12.6% against the benchmark index of 9.0%. The exposure to media was reduced following bids for More Group and VCI coupled with a reduction in the holding of Taylor Nelson Sofres.

Having been fairly active in the first half due to improving sentiment towards smaller companies, the new issue market became more subdued towards the end of the financial year as confidence weakened and valuations fell.

The Trust benefited from several take-over bids during the financial year illustrating further the low valuation of UK smaller companies. Notable examples include EIS, More Group, Trafford Park and Dennis Group.

Investment Outlook

Economic conditions within the UK economy have tightened during the last year. Both domestic and export demand have weakened in the past few months and it is likely that GDP growth will slow to below 1% in 1999, which has negative implications for smaller company earnings.

The Monetary Policy Committee has now recognised the slowdown and over recent months interest rates have been reduced. Going forward, there is scope for further reductions, with consensus forecasts now around 5.25% for the end of 1999.

The pessimistic outlook for the economy has exacerbated a negative view amongst the investment community towards smaller companies. Valuation levels are discounting full recessionary conditions in 1999, a situation which the manager believes will be avoided as both the corporate and consumer sectors are in stronger financial positions than in previous cycles. Sterling should also weaken, aiding the export sector.

Overall, 1999 will be a difficult year for all companies. The manager believes that, in view of current valuation levels and some optimism for a soft landing, quality growth smaller companies should begin to recover in relative performance terms.

Framlington Investment Management Limited

STATISTICAL INFORMATION

Portfolio of fixed asset investments including largest holdings at 30 November 1998
(ordinary shares unless otherwise stated)

Stock	Holding	% Held	Sector	£ Market value	% Fixed asset investments
Seton Scholl Healthcare Group	700,000	0.66	Healthcare	6,065,500	2.08
WF Electrical	750,000	4.97	Distributors	5,962,500	2.04
Capita Group	1,000,000	0.51	Support Services	5,720,000	1.96
Davis Service Group	1,614,666	1.16	Support Services	5,522,158	1.89
Scottish Radio Hldgs	1,030,000	3.83	Media	5,474,450	1.87
Derwent Valley Hldgs	1,106,250	2.09	Property	5,232,563	1.79
Cattles	800,000	0.57	Other Financial	5,036,000	1.72
Metroline	1,400,000	4.65	Transport	5,033,000	1.72
London Scottish Bank	4,000,000	3.11	Other Financial	4,880,000	1.67
Bovis Homes Group	2,185,000	1.94	Construction	4,479,250	1.53
Top ten holdings				53,405,421	18.27
Headlam Group	1,950,000	2.85	Services	4,397,250	1.51
Community Hospitals Group	1,000,000	2.83	Healthcare	4,385,000	1.50
Volex Group	850,000	3.01	Electronic & Electrical	4,143,750	1.42
Crest Nicholson	4,118,350	3.91	Construction	4,097,758	1.40
Intermediate Capital Group	950,000	2.04	Other Financial	3,966,250	1.36
Admiral	400,000	0.63	Support Services	3,910,000	1.34
Clydeport	2,000,000	4.84	Transport	3,870,000	1.33
Mucklow (A.&J.) Group	2,500,000	2.58	Property	3,687,500	1.26
Alvis	2,000,000	1.87	Engineering	3,600,000	1.23
McBride	2,250,000	0.81	Household Goods & Texts.	3,555,000	1.22
Top twenty holdings				93,017,929	31.84
Brake Bros	500,000	0.96	Food Producers	3,475,000	1.19
Enterprise Inns	1,000,000	1.44	Breweries, Pubs & Rest.	3,475,000	1.19
Druid Group	284,000	1.24	Support Services	3,393,800	1.16
Partco Group	2,001,800	2.74	Services	3,252,925	1.11
Anglian Group	1,450,000	1.57	Building Materials & Mchts.	3,204,500	1.10
Metalrax Group	3,327,500	2.72	Engineering	3,177,763	1.09
Hitachi Credit (UK)	1,200,000	2.82	Other Financial	3,150,000	1.08
Games Workshop Group	547,850	1.76	Household Goods & Texts.	3,122,745	1.07
Stanley Leisure	1,200,000	1.08	Leisure & Hotels	3,120,000	1.07
Greene King	575,000	0.94	Breweries, Pubs & Rest.	3,082,000	1.06
Top thirty holdings				125,471,662	42.96
Pillar Property	1,142,857	0.69	Property	2,897,142	0.99
Relyon Group	1,000,000	4.49	Household Goods & Texts.	2,875,000	0.98
Bellway	1,000,000	0.92	Construction	2,855,000	0.98
Gearhouse Group	1,143,166	6.18	Media	2,772,178	0.95
Isotron	502,700	3.99	Healthcare	2,764,850	0.95
Frogmore Estates	720,000	1.32	Property	2,750,400	0.94
Limit	1,550,000	0.52	Insurance	2,619,500	0.90
API Group	846,836	2.50	Paper, Packaging & Printing	2,582,850	0.88
Atlantic Telecom Group	1,655,500	1.96	Media	2,566,025	0.88
Macdonald Hotels	1,600,000	2.73	Leisure & Hotels	2,544,000	0.87
Top forty holdings				152,698,607	52.28

STATISTICAL INFORMATION

Stock	Holding	% Held	Sector	£ Market value	% Fixed asset investments
DCS Group	500,000	2.21	Support Services	2,530,000	0.87
UMECO	731,206	4.63	Distributors	2,486,100	0.85
Asda Property Hldgs	2,000,000	2.53	Property	2,470,000	0.85
Sanderson Group	1,729,900	3.34	Support Services	2,447,809	0.84
Wardle Storeys	680,000	2.64	Diversified Industrials	2,397,000	0.82
Aggreko	1,250,000	0.47	Support Services	2,393,750	0.82
Secure Trust Banking Group	397,620	2.64	Other Financial	2,306,196	0.79
SGB Group	1,162,500	1.53	Construction	2,284,313	0.78
Compel Group	700,000	2.45	Support Services	2,215,500	0.76
Emess (1)	3,050,000	2.85	Electronic & Electrical	2,135,000	0.73
Top fifty holdings				**176,364,275**	**60.39**
Adwest Automotive	3,000,000	3.61	Engineering, Vehicles	2,115,000	0.72
Waddington	1,250,000	1.18	Paper, Packaging & Printing	2,106,250	0.72
Fairey Group	703,000	0.74	Electronic & Electrical	2,063,305	0.71
City Centre Restaurants	2,869,650	1.48	Breweries, Pubs & Rest.	2,037,452	0.70
Expro International Group	624,779	0.98	Oil Exploration & Production	1,999,293	0.68
Dowding & Mills	4,735,000	3.07	Electronic & Electrical	1,965,025	0.67
Marshalls (2)	1,825,000	1.46	Building Materials & Mchts.	1,934,500	0.66
Irish Continental Group	268,000	1.02	Transport	1,929,600	0.66
Cape	2,030,000	3.74	Building Materials & Mchts.	1,918,350	0.66
Chloride Group	3,750,000	1.54	Electronic & Electrical	1,893,750	0.65
Ellis & Everard	845,000	0.85	Chemicals	1,846,325	0.63
Game	1,098,000	1.49	Retailers, General	1,828,170	0.63
M.Y. Hldgs	2,743,743	2.03	Paper, Packaging & Printing	1,824,589	0.62
Allied Textile Companies	1,650,000	2.32	Household Goods & Texts.	1,815,000	0.62
Baird (William)	1,681,000	1.43	Household Goods & Texts.	1,807,075	0.62
Halladale (3)	3,000,000	100.00	Property	1,800,000	0.62
Britax International	1,500,000	0.50	Engineering, Vehicles	1,770,000	0.61
Geest	541,206	0.74	Food Producers	1,755,149	0.60
Henlys Group	398,950	0.74	Engineering, Vehicles	1,745,406	0.60
Goode-Durrant	563,000	0.93	Transport	1,745,300	0.60
Bryant Group	2,000,000	0.69	Construction	1,700,000	0.58
Berisford (4)	2,000,000	1.31	Engineering	1,680,000	0.58
GWR Group	750,000	0.69	Media	1,657,500	0.57
Kingspan Group	1,000,000	0.60	Building Materials & Mchts.	1,650,000	0.57
Polypipe	1,378,400	0.82	Building Materials & Mchts.	1,612,728	0.56
Top seventy-five holdings				**222,564,042**	**76.23**
Other portfolio investments (68 stocks)				**60,464,623**	**20.69**
Munder loan notes				**5,600,000**	**1.92**
Subsidiary undertakings				**3,374,355**	**1.16**
Fixed assets				**292,003,020**	**100.00**

(1) 6.25p (net) cnv cum red prf 5p
(2) 6.50p (net) cnv cum red prf 20p
(3) 7.5% preference shares
(4) Units 5% culs 2015

STATISTICAL INFORMATION

Broad classification of listed portfolio

	1998			1997		
Balance Sheet figure	£281.0m			£317.0m		
	Portfolio %	FTSE SmallCap (ex Inv Trusts)	FTSE All-Share	Portfolio %	FTSE SmallCap (ex Inv Trusts)	FTSE All-Share
Mineral extraction	1.5	2.0	8.2	2.8	1.6	9.6
Extractive industries	-	0.3	0.9	-	0.2	1.1
Oil, integrated	-	0.2	7.0	-	-	7.7
Oil exploration and production	1.5	1.5	0.3	2.8	1.4	0.8
General industrials	27.6	30.4	9.6	32.4	32.1	12.9
Building and construction	6.5	6.5	0.8	5.1	5.1	0.8
Building materials and merchants	4.7	3.5	1.4	4.0	2.6	2.0
Chemicals	1.4	1.9	1.2	2.2	2.2	1.7
Diversified industrials	0.9	0.6	0.3	1.4	1.0	1.5
Electronic and electrical equipment	4.6	5.6	1.5	6.2	5.5	1.5
Engineering	4.5	7.4	3.3	5.7	9.1	3.6
Engineering, vehicles	2.5	1.7	0.7	3.8	2.0	1.0
Printing, paper and packaging	2.5	3.2	0.4	4.0	4.6	0.8
Consumer goods	13.4	12.5	18.7	12.5	15.5	17.5
Alcoholic beverages	-	1.0	2.3	-	0.9	2.5
Food producers	1.9	1.6	3.5	0.9	3.4	3.3
Healthcare	4.7	2.3	0.7	3.3	2.4	0.7
Household goods and textiles	6.5	3.5	0.4	7.6	4.9	0.6
Pharmaceuticals	0.3	4.1	10.6	0.7	3.9	8.6
Tobacco	-	-	1.2	-	-	1.8
Services	40.4	38.0	29.8	36.3	36.5	22.4
Distributors	9.2	3.8	0.5	9.1	4.3	0.7
Leisure and hotels	2.5	4.1	1.7	3.7	4.0	1.9
Media	5.1	6.0	4.1	4.3	4.9	4.7
Retailers, food	-	1.8	2.7	0.7	2.1	2.8
Retailers, general	1.9	6.4	3.8	1.9	5.9	5.2
Telecommunications	-	0.1	9.0	-	-	-
Breweries, pubs and restaurants	3.5	4.1	1.9	3.8	2.9	2.0
Support services	12.6	9.0	3.1	8.4	9.2	2.5
Transport	5.6	2.7	3.0	4.4	3.2	2.6
Utilities	0.4	1.1	6.2	0.6	0.8	11.1
Electricity	-	-	2.9	-	-	3.0
Gas distribution	-	-	1.7	-	-	1.3
Telecommunications	0.0	-	-	0.3	-	5.2
Water	0.4	1.1	1.6	0.3	0.8	1.6
Financials	16.7	16.0	24.8	15.3	13.5	23.6
Banks	-	-	15.5	-	2.4	14.9
Insurance	1.1	2.5	3.1	1.0	-	2.2
Life assurance	-	-	3.4	-	-	2.9
Merchant banks	-	-	-	-	-	-
Other financials	8.0	5.1	1.4	6.3	3.6	1.7
Property	7.6	8.4	1.4	8.0	7.5	1.9
Investment trusts	-	-	2.7	0.1	-	2.9
	100.0	**100.0**	**100.0**	100.0	100.0	100.0

STATISTICAL INFORMATION

Movement in fixed asset investments	**£ million**
Fixed asset investments at 1 December 1997	327.6
Purchases at cost	82.7
Proceeds from sales	(84.8)
Realised profits on sales	23.4
Unrealised depreciation	(56.9)
Fixed asset investments at 30 November 1998	292.0

Analysis of portfolio
based on valuation at 30 November 1998 of £292.0 million

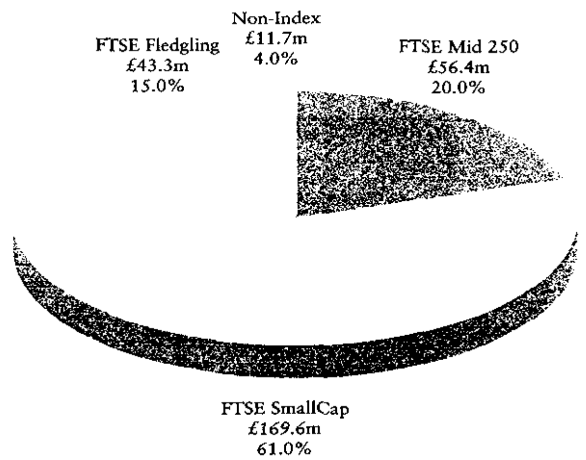
	1998 %	1997 %
Equities	**93.2**	93.7
Convertible preference shares	**2.6**	3.6
Debentures and bonds	**1.1**	-
Subsidiary undertakings	**1.2**	1.0
Munder loan notes	**1.9**	1.7
	100.0	100.0

Geographical distribution of investments
based on valuation at 30 November 1998 of £292.0 million

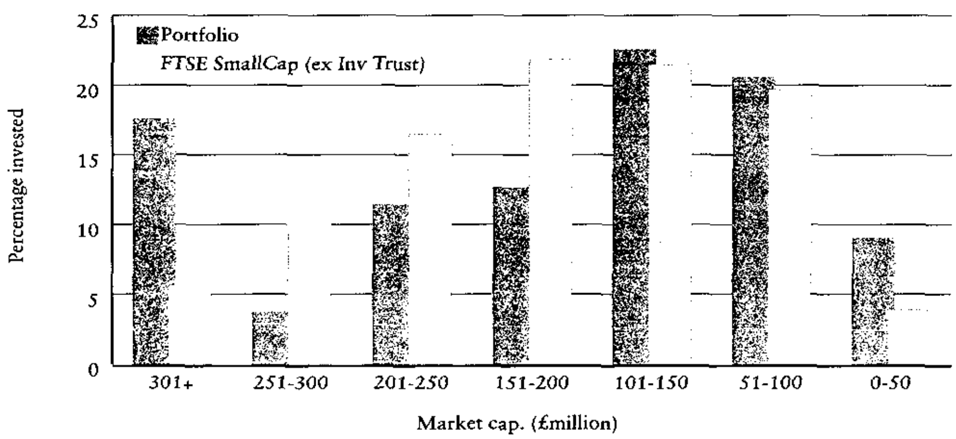
	1998 %	1997 %
United Kingdom	**96.3**	98.3
United States of America	**1.9**	1.7
Western Europe	**1.8**	-
	100.0	100.0

STATISTICAL INFORMATION

Analysis of the listed portfolio of £281.0 million



Analysis of the UK listed portfolio of £281.0 million by market capitalisation



STATISTICAL INFORMATION

Performance record

Assets

Year to 30 Nov	Total assets less current liabilities £000s	Long-term creditors and provisions £000s	Other prior charges £000s	Equity shareholders' funds £000s	Net asset value per share* p	Mid-market price per share p
1998..........	**304,407**	**51,416**	**1,500**	**251,491**	**82.8**	**67.8**
1997..........	341,764	51,417	1,500	288,847	95.1	84.5
1996..........	*326,405*	*51,417*	*1,500*	*273,488*	*90.0*	*77.8*
1995..........	307,761	51,417	1,500	254,844	83.9	79.5
1994..........	292,458	51,417	1,500	239,541	78.9	74.5

Revenue

Year to 30 Nov	Total gross revenue £000s	Interest Payable £000s	Expenses £000s	Net revenue before tax £000s	Taxation £000s	Available for distribution £000s	Earnings per share p	Net dividend per share p
1998†....	**14,904**	**2,803**	**1,980**	**10,121**	**2,608**	**7,513**	**2.45**	**2.42**
1997†....	*14,279*	*2,904*	*2,178*	*9,197*	*2,237*	*6,960*	*2.27*	*2.35*
1996†....	13,876	2,867	2,099	8,910	2,387	6,523	2.12	2.30
1995†....	14,956	2,810	1,998	10,148	2,322	7,826	2.55	2.30
1994......	16,553	5,582	1,493	9,478	2,380	7,098	2.31	2.30

* Loan stock not converted.

† 1998, 1997, 1996 and 1995 reflect a change in accounting policy in respect of interest payable and management fees.

DIRECTORS

The Rt Hon. Lord Stewartby, 63, was appointed chairman in 1990. He was Economic Secretary to the Treasury from 1983 to 1987. He is deputy chairman of Standard Chartered plc and Amlin plc and a director of other public companies. He was a member of the Financial Services Authority (formerly the Securities and Investments Board) from 1993 to 1997.

Peter H. Courtney, FCA, 66, is chairman of the remuneration committee and a member of the audit committee. He became a director in 1990, having been group finance director of The Boots Company PLC for the previous eight years, before which he held a similar position in the Rank Organisation Plc.

The Hon. Sir Victor Garland, KBE, 64, is chairman of the audit committee and a member of the remuneration committee. He is a director of other public companies, vice-chairman of the South Bank Board and a former director of Prudential Corporation PLC. He is a Fellow of the Australian Institute of Chartered Accountants, was a member of the Australian Federal Parliament for 12 years (holding ministerial office for five years) and High Commissioner for Australia to the United Kingdom from 1981 to 1984.

J. C. (Michael) Orr, 61, joined the board in 1990 and is a member of both the audit and remuneration committees. He is chairman of Molins PLC and Waddington PLC and a non-executive director of Granada Group PLC, Lazard Brothers & Co. Limited, Sketchley PLC and W. H. Smith Group PLC. He was formerly a senior director of S. G. Warburg & Co. Limited and group finance director of Grand Metropolitan PLC.

W. Michael Windsor, 61 was appointed a director in 1990 and is a member of both the audit and remuneration committees. He joined Vickers from GEC Limited in 1971 and was joint managing director when he left in 1988. He is chairman of BWI PLC and TGI PLC. He is a non-executive director of Barry-Wehmiller Corporation U.S.A.

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements of the company for the year ended 30 November 1998.

Dividends and retentions

		£000s	£000s
Net revenue from ordinary activities after taxation			7,513
Dividends			
Paid:	7.25% cumulative first preference shares	76	
	ordinary shares - interim 0.92p per share	2,795	
Proposed:	ordinary shares - final 1.50p per share	4,557	
			(7,428)
Net surplus			85
Revenue reserve brought forward			3,346
Revenue reserve carried forward			3,431

The directors recommend that a final dividend of 1.50p per share be declared on the issued ordinary share capital. If approved, warrants will be posted to shareholders on 9 March 1999. The results for the year are shown on pages 22 and 23.

Principal activities

The company has carried on business as an investment trust company. The Inland Revenue has approved the company as such for the purposes of section 842 of the Income and Corporation Taxes Act 1988 up to the accounting period ended 30 November 1997. The company has subsequently directed its affairs so as to enable it to continue to seek such approval. Details of the activities of subsidiary undertakings are given on page 30.

Investment policy

The investment policy of the company and a general review of the business, together with its prospects, are set out in the Chairman's Statement on pages 3 to 5 and the Manager's Review on pages 6 and 7.

Board of directors

Information on current directors, who have served throughout the year, is given on page 14. Mr J. C. Orr and Mr W. M. Windsor retire by rotation and, being eligible, offer themselves for re-election.

Directors' shareholdings

The interests of directors of the company, including their family interests, in the share capital and loan capital of the company and its subsidiaries are as shown below. All holdings are beneficial and consist of ordinary shares of 5p each of The Throgmorton Trust PLC.

REPORT OF THE DIRECTORS

	At 1.2.99	At 30.11.98	At 30.11.97
Lord Stewartby	100,000	100,000	100,000
P. H. Courtney	40,000	40,000	40,000
Sir Victor Garland	5,000	5,000	5,000
J. C. Orr	5,000	5,000	5,000
W. M. Windsor	5,000	5,000	5,000

Directors' liability insurance
The company maintains insurance cover for its directors and officers against liabilities in relation to the company.

Authority to issue and allot shares
The Companies Act 1985 contains restrictions on the power of the directors to allot a company's shares. As a result the directors may only issue shares pursuant to authority within the statutory terms given by shareholders' resolution or contained in the articles of association, and their power to issue equity shares for cash to persons other than the existing shareholders is similarly restricted.

Resolutions to confer these authorities were passed at last year's annual general meeting; resolutions 6 and 7 will be proposed at this year's annual general meeting to renew the authorities given to the directors for a further year.

If these resolutions are passed, it will not be necessary for the directors to seek further approval from shareholders to issue shares for cash to persons other than existing shareholders or holders of convertible loan stock up to an aggregate nominal amount of £759,490. While the directors consider that it is in the best interests of the company for the directors to have these authorities, they have no present intention to make any issue of shares pursuant to them.

Management arrangements
Under a management contract dated 2 May 1990, Framlington Investment Trust Services Limited ("FITS") was appointed as investment manager to manage and advise the company, including the provision of accounting, secretarial, office and administrative services. Subsequently, the provision of those services was delegated to Framlington Investment Management Limited ("FIM"). The management contract is terminable by one year's notice. The manager is paid a quarterly investment and administration fee (exclusive of VAT) at a rate of: 0.23125% on the company's gross assets up to £250million; 0.1875% on the next £50million of gross assets and 0.125% above £300million. The calculation of gross assets excludes the value of securities held by the company in any other investment trust company managed by the manager, all the company's holdings in subsidiaries (other than financing subsidiaries), the Halladale preference shares, the Munder loan notes and gilts. The fee is subject to a minimum of 75% of the level of fee payable in respect of the corresponding quarter of the previous year.

Currently, 50% of the fees payable are charged to capital reserves for investment management and the balance to revenue account for administration expenses.

Lord Stewartby is a director of Framlington Group Limited, the immediate parent company of FIM and FITS.

REPORT OF THE DIRECTORS

Contracts of significance
Other than the management agreement referred to on page16, no contract in which any director of the company was materially interested and which was significant in relation to the company's business subsisted during the financial year.

Custodial arrangements
On 31 March 1998, the company appointed Midland Bank plc to be its custodian and banker, replacing The Royal Bank of Scotland plc. This appointment followed a review of custody and banking facilities by the investment manager and the board.

Personal equity plans
During the year, securities of the company qualified for inclusion in personal equity plans, as at least 50% of the portfolio was invested in UK equities and qualifying EC shares. It remains the intention of the directors to manage the company's affairs so as to enable its securities to continue to qualify. From 6 April 1999 PEPs will be replaced by the new Individual Savings Account ("ISA"). It is expected that the company's securities will qualify for ISA investment.

Savings scheme
In April 1997 the new investment trust savings scheme was launched to allow low cost dealings in the company's shares. The scheme was extended for PEP investment in December 1997.

CREST
Following the entry of the company's share capital on to the CREST system of computerised settlement in December 1996, holders of ordinary and preference shares have the choice of maintaining their interests in electronic form or in certificated form.

Year 2000
The Year 2000 systems issue or "millennium bug" is receiving considerable publicity with warnings of the serious consequences that could arise if software and electronic systems fail to deal with date changes prior to and after 31 December 1999. The board has therefore been considering the potential risks and the most appropriate method of ensuring that they are satisfactorily dealt with.

The company's operations are reliant upon the investment manager, custodian and registrar and it is therefore the individual responsibility of each service provider to ensure that its own equipment and systems are Year 2000 compliant. For each board meeting since May 1998 the directors have required the service providers to report on their ongoing Year 2000 compliance projects. Each service provider has confirmed that it is using all reasonable efforts to avoid the effects of the Year 2000 problem.

The board will continue to monitor this matter and require further reports from the service providers. In the event that the board believes that a service provider is not giving adequate assurances about the progress of their Year 2000 compliance project, the directors will take whatever course of action they consider appropriate to safeguard the company and shareholders' interests. Each service provider will bear its own costs of achieving Year 2000 compliance.

EMU
1 January 1999 saw the introduction of Economic Monetary Union ("EMU"), with the creation of a single currency and the fixing of exchange rates between participating countries. EMU has not had a significant effect on the company's operations since it is primarily invested in UK

securities and while the United Kingdom remains outside EMU this should largely remain the case. The board will continue to monitor further developments.

Creditor payment policy
It is the policy of the company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business.

Auditors
A resolution for the re-appointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming annual general meeting.

Notifiable interests
As at 1 February 1999, the company had received the following information disclosed to it in accordance with sections 198 to 208 of the Companies Act 1985:

	No. of Shares	% held
Prudential Corporation PLC group of companies*	40,783,648	13.43
The Equitable Life Assurance Society	20,258,750	6.67
Guardian Assurance plc	11,889,500	3.91
Royal & Sun Alliance Insurance Group PLC	10,376,660	3.42
Co-operative Insurance Society Limited	10,235,655	3.37
Electricity Supply Pension Scheme	9,950,000	3.28
British Airways Pension Fund	9,700,000	3.19
National Provident Institution	9,250,000	3.05
* The holding of Prudential Corporation PLC group of companies includes Prudential Client (MSS) Nominees Ltd PAC a/c	*28,561,000*	*9.40*

Corporate governance
The directors support the recommendations of the Cadbury Committee and during the year have complied with all the relevant recommendations of the Code of Best Practice. It is not the directors' intention to appoint a Nomination Committee as this function is better performed by the full board of directors.

Following the publication of the Hampel Report on Corporate Governance last year, The London Stock Exchange has adopted a new Combined Code which brings together the principles set out in the Cadbury, Greenbury and Hampel Reports. For accounting years ending on or after 31 December 1998, directors are now required to report on their compliance with the Combined Code and the board will be making the necessary disclosures in this respect in next year's annual report and accounts.

The board has received the following report from the Remuneration Committee which comprises four non-executive directors and is responsible for determining the remuneration and other benefits of the chairman and any other executive directors:

"*In framing its remuneration policy, the committee has given full consideration to section B of* the practice provisions annexed to the listing rules of the London Stock Exchange, relating to remuneration policy, service contracts and compensation.

The remuneration of the chairman, Lord Stewartby, who is the only executive director, is determined by the committee each year by reference to the nature and extent of his responsibilities during the relevant year. For the year ended 30 November 1998, his total remuneration was £42,500 and reflected not only his normal duties as chairman of the company but also his responsibility for residual matters relating to the former situation of the company as a holding company with active trading subsidiaries.

The remuneration of the non-executive directors is determined by the board on the recommendation of the chairman. For the year ended 30 November 1998, the non-executive directors, Mr Courtney, Sir Victor Garland, Mr Orr and Mr Windsor, received fees of £14,000 each.

No director has a service contract and each is subject to retirement by rotation."

The company has complied throughout the year with section A of the best practice provisions annexed to the listing rules of The London Stock Exchange relating to remuneration committees. Details of the remuneration of the directors is set out in note 5 on page 29.

Bearing in mind that the assets of the company consist mainly of marketable securities, the directors are of the opinion that, at the time of approving the financial statements, the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The board acknowledges that it is responsible for the company's systems of internal financial control and confirms that it has reviewed their overall effectiveness. As mentioned under management arrangements, FIM was appointed to manage and advise the company and to provide accounting, secretarial, office and administrative services to it. At the request of the Audit Committee, reports have been presented from all areas of FIM on internal financial control.

A system of internal financial control can only provide reasonable, and not absolute, assurance against material misstatement or loss. FIM is regulated by IMRO in the conduct of its investment business. FIM's systems of internal financial control include organisational arrangements with defined lines of responsibility and delegated authority, as well as control procedures and systems and we are advised that these are regularly evaluated and internally monitored. We are advised that the controls appear to be designed to provide reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or would be detected within a timely period.

The auditors, Deloitte & Touche, Chartered Accountants, have confirmed that, in their *opinion: with respect to the directors' statement on internal financial control and going* concern, the directors have provided the disclosures required by the listing rules of The London Stock Exchange and such statements are not inconsistent with information of which they are aware from their audit work on the financial statements; and that the directors' other statements on pages 18 and 19 appropriately reflect the company's compliance with the other aspects of the Cadbury Code specified for their review by listing rule 12.43 (j). They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of the company's systems of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the

REPORT OF THE DIRECTORS

financial year and of the revenue of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company, enabling them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the company's system of internal financial control, safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

8 February 1999

P. J. Moffatt

P. J. Moffatt for
Framlington Investment Management Limited
Secretary

155 Bishopsgate
London EC2M 3XJ

AUDITORS' REPORT

To the members of The Throgmorton Trust PLC

We have audited the financial statements on pages 22 to 34 which have been prepared under the accounting policies set out on page 27 and the detailed information disclosed in respect of any directors' remuneration, set out in the report to the shareholders by the Remuneration Committee on pages 18 and 19.

Respective responsibilities of directors and auditors

As described on pages 19 and 20 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatment, 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 November 1998 and of its net revenues for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 February 1999

Deloitte & Touche
Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

REVENUE ACCOUNT

for the year ended 30 November			1998		1997
Notes		£000s	£000s	£000s	£000s
1	**Income from fixed asset investments**				
	Franked income	12,324		12,113	
	Unfranked income	1,517		1,374	
			13,841		13,487
	Other income				
	Interest receivable	906		587	
2	Fees and commissions	157		205	
			1,063		792
	Gross income		14,904		14,279
	Expenses and interest				
3	Management fee	1,697		1,673	
4	Administration expenses	283		505	
6	Interest payable	2,803		2,904	
			4,783		5,082
	Net revenue from ordinary activities before taxation		10,121		9,197
7	Tax on net revenue from ordinary activities		2,608		2,237
	Net revenue from ordinary activities after taxation		7,513		6,960
8(a)	**Dividends**				
	Preference shares	76		76	
	Ordinary shares:				
	Interim	2,795		2,734	
	Final	4,557		4,405	
			7,428		7,215
	Transfer to/(from) reserves		85		(255)
8(b)	Earnings per share - basic		2.45p		2.27p
	- assuming conversion of loan stock		2.54p		2.37p

All revenue is derived from continuing operations.
No operations were acquired or discontinued during the year.
The accompanying notes form an integral part of this statement.

BALANCE SHEET

as at 30 November		1998		1997
Notes	£000s	£000s	£000s	£000s
9 **Fixed asset investments**				
Listed				
United Kingdom	280,984		316,963	
Elsewhere	45		46	
Unlisted				
Subsidiary undertakings	3,374		3,110	
Other	7,600		7,516	
		292,003		327,635
Current assets				
10 Debtors	4,312		4,184	
Cash at bank	16,241		19,039	
	20,553		23,223	
Creditors:				
Amounts falling due within one year				
Trade creditors	1,112		1,852	
Amounts owed to subsidiary undertakings	794		997	
11 Sundry creditors	1,686		1,840	
Proposed dividend on ordinary shares	4,557		4,405	
	8,149		9,094	
Net current assets		12,404		14,129
Total assets less current liabilities		304,407		341,764
Creditors:				
Amounts falling due after one year				
12 Debentures, convertible debt and loans		(51,416)		(51,417)
Total net assets		252,991		290,347
Capital and reserves				
14 **Called up share capital**		16,690		16,690
Share premium account		35,267		35,267
Capital reserves				
15 Revaluation reserve	8,431		65,352	
16 Realised capital profits	189,172		169,692	
		197,603		235,044
17 **Revenue reserve**		3,431		3,346
Total shareholders' funds		252,991		290,347
Shareholders' funds are attributable to:				
Equity shareholders' funds		251,491		288,847
Non-equity shareholders' funds		1,500		1,500
		252,991		290,347
22 **Net asset value per share**		82.8p		95.1p

Approved by the board of directors and signed on their behalf by

Lord Stewartby
8 February 1999

Stewartby

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 November	Revenue £000s	Capital £000s	1998 Total £000s	Revenue £000s	Capital £000s	1997 Total £000s
Realised gains and losses	-	23,471	23,471	-	23,705	23,705
Unrealised gains and losses	-	(56,921)	(56,921)	-	(4,233)	(4,233)
Income	14,904	-	14,904	14,279	-	14,279
Management fee	(1,697)	(1,697)	(3,394)	(1,673)	(1,673)	(3,346)
Other expenses	(283)	-	(283)	(505)	-	(505)
Net return before finance costs and taxation	12,924	(35,147)	(22,223)	12,101	17,799	29,900
Interest payable and similar charges	(2,803)	(2,652)	(5,455)	(2,904)	(2,652)	(5,556)
Return on ordinary activities before taxation	10,121	(37,799)	(27,678)	9,197	15,147	24,344
Tax on ordinary activities	(2,608)	358	(2,250)	(2,237)	467	(1,770)
Return on ordinary activities after taxation for the financial year	7,513	(37,441)	(29,928)	6,960	15,614	22,574
Dividends in respect of non-equity shares	(76)	-	(76)	(76)	-	(76)
***Return attributable to* equity shareholders**	7,437	(37,441)	(30,004)	6,884	15,614	22,498
Dividends in respect of equity shares	(7,352)	-	(7,352)	(7,139)	-	(7,139)
Transfer to/(from) reserves	85	(37,441)	(37,356)	(255)	15,614	15,359
Return per ordinary share						
- basic	2.45p	(12.32p)	(9.87p)	2.27p	5.14p	7.41p
- assuming conversion of loan stock	2.54p	(11.59p)	(9.45p)	2.37p	5.12p	7.49p

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. No operations were acquired or discontinued in the year.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 30 November	1998 £000s	1997 £000s
Net surplus revenue for distribution	7,513	6,960
Dividends	(7,428)	(7,215)
Net surplus/(deficit) transferred	85	(255)
Non distributable capital surplus	(37,441)	15,614
Net (reduction)/addition to shareholders' funds	(37,356)	15,359
Opening shareholders' funds	290,347	274,988
Closing shareholders' funds	**252,991**	**290,347**

CASH FLOW STATEMENT

for the year ended 30 November

Notes		1998 £000s	1997 £000s
	Operating activities		
	Cash received from investments	10,557	10,760
	Interest received	1,073	416
	Underwriting commission	88	215
	Management fee	(1,727)	(1,667)
	Cash paid to and on behalf of the directors	(102)	(130)
	Other cash payments	(305)	(379)
20	**Net cash inflow from operating activities**	9,584	9,215
	Servicing of finance		
	Interest paid - revenue	(3,017)	(2,692)
	Dividend on preference shares	(76)	(76)
		(3,093)	(2,768)
	Taxation		
	Taxation recovered	567	603
	Capital expenditure and financial investment		
	Purchase of investments	(83,472)	(77,209)
	Sale of investments	84,954	99,123
	Additional proceeds from prior disposal	-	378
	Capital management fee	(1,727)	(1,667)
	Interest charged to capital	(2,652)	(2,652)
	Liquidation of subsidiary undertakings	242	-
	Net cash (outflow)/inflow from investing activities	(2,655)	17,973
	Dividends		
	Dividends paid - equity shares	(7,200)	(6,987)
21	**Net cash (outflow)/inflow before financing**	(2,797)	18,036
	Financing		
	Loan issued	-	(100)
	Net cash (outflow) from financing	-	(100)
	Net cash (outflow)/inflow	(2,797)	17,936

ACCOUNTING POLICIES

The financial statements on pages 22 to 34 have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted in respect of the accounts of the company are described below.

Accounting convention
The financial statements are prepared under the historical cost convention as modified by the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the "SORP"), except that the Revenue Account is included as the first primary financial statement and not the Statement of Total Return, as the directors believe that the presentation of a traditional revenue account gives appropriate emphasis to the importance of revenue in considering the performance of the company. The Statement of Total Recognised Gains and Losses is included to provide the information prescribed by FRS3 and that required by the SORP in respect of a Statement of Total Return.

Fixed asset investments
Listed investments are valued at mid-market value at the balance sheet date and unlisted investments, including investments in subsidiary undertakings, are included at directors' valuation.

Income from investments
Investment income, inclusive of the attributable tax credit where applicable, is included in the Revenue Account on the date when the investment is first listed "ex-dividend". Other income is recognised on an accruals basis.

Revenue and capital reserves
The Revenue Account includes all income and revenue expenditure of the company. Capital gains and losses arising from the sale and revaluation of investments are dealt with through capital reserves. Management fees are calculated on the basis set out in the Report of the Directors. Currently, 50% of the fees payable are charged to capital reserves for investment management and the balance to revenue account for administration expenses. Finance costs of debt are currently allocated 50% to capital and 50% to revenue, in line with the board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the company.

Taxation
Advance corporation tax ("ACT") on proposed dividends is included as a liability in the Balance Sheet except to the extent that franked investment income is available to relieve this liability.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the related item, calculated by applying the company's effective rate of tax for the accounting period.

Exemption from consolidation
The subsidiary undertakings of The Throgmorton Trust PLC have not been consolidated as they are immaterial in the context of the parent company's accounts. As a result the company's financial statements present information about it as an individual undertaking and not about its group.

NOTES TO THE ACCOUNTS

1 Income from fixed asset investments

		1998 £000s Franked	1998 £000s Unfranked	1997 £000s Franked	1997 £000s Unfranked
Income from investments was derived from:					
Dividends					
Listed investments	- United Kingdom	12,093	564	11,749	289
Unlisted investments	- United Kingdom	231	-	364	-
Interest					
Listed investments	- United Kingdom	-	224	-	12
Unlisted investments	- Elsewhere	-	729	-	698
		12,324	1,517	12,113	999
Dividends from subsidiary undertakings		-	-	-	375
		12,324	1,517	12,113	1,374

2 Fees and commissions

	1998 £000s	1997 £000s
Management fees from subsidiary companies	15	16
Underwriting commission	142	189
	157	205

3 Management fee

	1998 £000s	1997 £000s
Management fee	2,889	2,848
Irrecoverable VAT thereon	505	498
Less amount charged to capital (note 16)	(1,697)	(1,673)
	1,697	1,673

Details of the management arrangements are specified in the Report of the Directors on page 16. Other than the disclosed transactions with the manager in note 19 and the information given in the directors' shareholdings section of the Report of the Directors, there are no related party transactions.

4 Administration expenses

	1998 £000s	1997 £000s
General expenses (including irrecoverable VAT)	142	330
Directors' fees and emoluments (note 5)	107	130
Auditors' remuneration (including irrecoverable VAT)	34	45
	283	505

A further amount of £Nil (1997: £5,000) payable to the auditors for taxation and accounting services has been charged to the Revenue Account.

NOTES TO THE ACCOUNTS

5 Directors' fees and emoluments

	1998 £	1997 £
Lord Stewartby	42,500	59,600*
P. H. Courtney	14,000	15,000
Sir Victor Garland	14,000	15,000
J. C. Orr	14,000	15,000
W. M. Windsor	14,000	15,000
	98,500	119,600
National Insurance	8,600	10,580
	107,100	130,180

* *Lord Stewartby's emoluments include pension contributions of £Nil (1997: £7,193)*

6 Interest payable

	1998 £000s	1997 £000s
The interest charge is made up as follows:		
Debenture interest	3,608	3,608
Short term bank loans and overdrafts	57	133
Interest payable to subsidiary undertakings	1,790	1,815
	5,455	5,556
Less amount charged to capital (note 16)	(2,652)	(2,652)
	2,803	2,904

Interest charged to capital represents 50% of the finance costs on the company's long-term debt.

7 Tax on net revenue from ordinary activities

	1998 £000s	1997 £000s
Tax credits on franked investment income	2,465	2,423
Taxation recoverable under s242 ICTA 1988 - current year	-	(379)
- prior year	65	-
Advance corporation tax	(319)	(274)
Overseas taxation	5	-
Tax equalisation	392	467
	2,608	2,237

Tax equalisation represents transfers to realised capital profits (note 16) arising from an apportionment of the tax relief available in respect of management fees and interest payable charged to that reserve.

The company has unrelieved tax losses available to be carried forward of £23,290,000 (1997: £17,890,000).

8 Dividends and earnings per share

	1998 £000s	1997 £000s
(a) Dividends		
Non-equity preference dividends	76	76
Equity ordinary dividends:		
Interim 0.92p per share (1997: 0.90p per share)	2,795	2,734
Proposed final 1.50p per share (1997: 1.45p per share)	4,557	4,405
	7,428	7,215

(b) Basic earnings per share are based on the net revenue of £7,437,000 (1997: £6,884,000) after deducting tax and preference dividends and on 303,796,229 shares ranking for dividend being the weighted average number of ordinary shares in issue in the year to 30 November 1998 (1997: 303,796,075). Earnings per share as adjusted for the 7.25% convertible unsecured loan stock 2003 are based on net revenue of £8,064,000 (1997: £7,511,000) after deducting tax and preference dividends and adding back the interest on the loan stock and on 317,427,043 shares (1997: 317,427,043) being the adjusted weighted average number of ordinary shares assuming that the loan stock was converted on the first day of the accounting period.

9 Fixed asset investments

	Subsidiary undertakings Equity £000s	Loans £000s	Other Investments £000s	Total £000s
(a) Summary				
Cost				
At 1 December 1997	5,695	990	255,681	262,366
Acquisition of investments	-	-	82,733	82,733
Disposals/repayments	-	-	(61,359)	(61,359)
At 30 November 1998	5,695	990	277,055	283,740
Unrealised appreciation/ (depreciation)	(2,321)	(990)	11,574	8,263
Valuation at 30 November 1998	**3,374**	**-**	**288,629**	**292,003**
Valuation at 30 November 1997	3,110	-	324,525	327,635

(b) The only remaining principal subsidiary undertakings of the company and its underlying percentage holdings of their ordinary share capital are as follows:

Subsidiary undertakings	Class of share	% held	Principal activity
T. T. Finance PLC	£1 Ordinary	100	Financing
Throgmorton Capital Resources Limited	1p Ordinary	100	Financing
The Third Throgmorton Trust Limited	£1 Ordinary	100	Investment holding

All subsidiary undertakings are incorporated, registered and operate principally in England and Wales.

(c) The company owns 100% of the 3million 7½% preference shares in Halladale Group plc, the coupon on which was increased to 9% with effect from 1 April 1997. The company has only one other holding in which 10% or more of any class of capital is owned. The company holds 50.53% of £1 12% cumulative convertible participating preferred ordinary shares in Oakstead Holdings Limited, a company incorporated and registered in England and Wales. No value is attributed to this holding in the financial statements.

(d) Other unlisted investments comprise the Munder loan notes (received as part of the consideration for the disposal of shares in Framlington Holdings Limited on 17 October 1996) and shares in Hallamshire Investments plc.

10 Debtors

	1998 £000s	1997 £000s
Amounts due from brokers	2,127	2,250
Accrued income and other debtors	2,105	1,486
Taxation recoverable	-	372
Amounts owed by subsidiary undertakings	80	76
	4,312	4,184

11 Sundry creditors

	1998 £000s	1997 £000s
Taxation payable	372	351
Accruals	1,314	1,489
	1,686	1,840

12 Debentures, convertible debt and loans

	1998 £000s	1997 £000s
Repayable in 1-5 years		
Amount owed to subsidiary company	15,000	15,000
7.25% convertible unsecured loan stock 2003	17,297	17,298
Repayable after more than 5 years		
12 5/16% debenture stock 2010	19,119	19,119
	51,416	51,417

The 12 5/16% debenture stock 2010 is secured by a first floating charge over the whole of the undertaking, property and assets of The Throgmorton Trust PLC.

Holders of the 7.25% convertible unsecured loan stock 2003 are entitled to convert all or part of their holdings into ordinary shares in the 30 days following the annual general meeting of the company in each of the years 1999 to 2003 at the rate of one ordinary share for every 126.9p nominal of loan stock. If not previously converted, the loan stock will be redeemed at par on 30 November 2003.

The weighted average interest rate on the sterling fixed rate borrowings shown above is 10.3% (1997: 10.3%). The weighted average time for which the rates are fixed is 6 years (1997: 7 years).

NOTES TO THE ACCOUNTS

Financial Instruments

The company held the following categories of financial instruments at 30 November 1998.

	Book value £000s	"Fair value" £000s
Loan from subsidiary company	15,000	24,525
12 5/16% debenture stock 2010	19,119	29,539
7.25% convertible unsecured loan stock 2003	17,297	18,076
7.25% cumulative preference shares	1,500	1,515
	52,916	73,655

The "fair values" of the debenture stock, convertible loan stock and preference shares are based on quoted market prices as at 30 November 1998. The fair value of the loan from the subsidiary is based on the quoted market price of comparable debt issued by other companies.

The company also has an overdraft facility with Midland Bank plc for £10,000,000 at an interest rate of 1% per annum over base rate. At the balance sheet date none of this facility had been drawn down.

14

Called up share capital

	£000s
(a) Ordinary	
Authorised	
460,000,000 ordinary shares of 5p each at 1 December 1997 and 30 November 1998	23,000
Allotted and fully paid	
303,796,075 ordinary shares of 5p each at 1 December 1997 and 303,796,324 ordinary shares of 5p each at 30 November 1998	15,190
(b) Preference	
Authorised, allotted and fully paid 1,500,000 7.25% cumulative first preference shares of £1 each at 1 December 1997 and 30 November 1998	1,500
Total allotted share capital	16,690

15

Revaluation reserve - non distributable

	£000s
At 1 December 1997	65,352
Movement for the year	(56,921)
At 30 November 1998	8,431
Attributable to:	
Fixed asset investments - listed	8,083
- unlisted	348
	8,431

NOTES TO THE ACCOUNTS

16 Realised capital profits - non distributable

	£000s
At 1 December 1997	169,692
Surplus less deficits on capital transactions - listed investments	23,471
Management fees - capital allocation (note 3)	(1,697)
Interest payable - capital allocation (note 6)	(2,652)
Tax equalisation (note 7)	392
Tax credit on special dividend	(34)
At 30 November 1998	**189,172**

17 Revenue reserve

	£000s
At 1 December 1997	3,346
Net surplus for the financial year	85
At 30 November 1998	**3,431**

18 *Contingent liabilities and other commitments*

At 30 November there were the following contingent liabilities and other commitments not provided for in the accounts:

	1998 £000s	1997 £000s
Underwriting and partly paid shares	-	1,186
Other guarantees on behalf of subsidiary undertakings	860	15,000
	860	16,186

19 *Related party transactions*

As a result of Lord Stewartby being chairman of the company and a director of Framlington Group Limited (see page 16) the company and its manager are deemed to be related parties. Details of the management fee are given in note 3. At the balance sheet date the company owed the manager £721,867 (1997: £898,000).

20 *Reconciliation of net revenue from ordinary activities before interest payable and taxation to net cash inflow from operating activities*

	1998 £000s	1997 £000s
Net revenue from ordinary activities before interest payable and taxation	**12,924**	12,101
Tax on franked investment income	**(2,465)**	(2,423)
Increase in debtors	**(733)**	(78)
Decrease in creditors	**(142)**	(385)
Net cash inflow from operating activities	**9,584**	9,215

21

Reconciliation of net cash flow to movement in net debt and analysis of net debt

	at 1 December 1997 £000s	Cash flows £000s	at 30 November 1998 £000s
Cash at bank	19,039	(2,798)	**16,241**
Due after one year	(51,417)	1	**(51,416)**
Net debt	(32,378)	(2,797)	(35,175)

22

Net asset value per share

	Net asset value per share attributable 1998 p	1997 p	Net asset values attributable 1998 £000s	1997 £000s
Ordinary shares	82.8	95.1	251,491	288,847

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

	£000s
Total net assets attributable at 1 December 1997	288,847
Total recognised gains for the year	(29,928)
Dividends appropriated in the year (note 8)	(7,428)
Total net assets attributable at 30 November 1998	251,491

Basic net asset value per ordinary share is based on net assets less the nominal value of preference shares and on 303,796,229 ordinary shares, being the weighted average number of ordinary shares in issue during the year.

At 30 November 1998 the net asset value stood at a discount of 18% to the market price of the company's shares. If the company's borrowings were valued at their "fair value" (see note 13) this discount would be reduced to 10.8%.

NOTICE OF MEETING

Notice is hereby given that the forty-second annual general meeting of the company will be held *on 9 March 1999 at 12 noon at 155 Bishopsgate, London EC2M 3XJ for the following* purposes:

1. To receive the accounts for the year ended 30 November 1998, together with the reports of the directors and auditors.

2. To declare a final dividend of 1.50p per share on the ordinary shares.

3. To re-elect as a director Mr J. C. Orr who retires by rotation.

4. To re-elect as a director Mr W. M. Windsor who retires by rotation.

5. To re-appoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration.

As special business, to consider and, if thought fit, pass the following Resolutions:–

As an Ordinary Resolution:

6. THAT the directors be authorised generally and unconditionally to exercise all powers of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £5,063,272 provided that this authority shall expire on the date of the next annual general meeting save that the company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

As a Special Resolution:

7. THAT the directors be empowered to allot equity securities (within the meaning of section 94 of the Companies Act 1985) pursuant to the authority conferred by the previous Resolution as if section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and holders of the company's 7.25% convertible unsecured loan stock 2003 ("stockholders") where the equity securities respectively attributable to the interests of all ordinary shareholders and of all stockholders (as the case may be) are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by such shareholders or in the case of stockholders to the respective number of ordinary shares which they would hold had their conversion rights been exercisable and exercised in full on the record date for such issue; and

NOTICE OF MEETING

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £759,490

and shall expire on the date of the next annual general meeting or on the date fifteen months after the date of the passing of this resolution, whichever is earlier, save that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

By order of the board *8 February 1999*

P. J. Moffatt for
Framlington Investment Management Limited
Secretary

155 Bishopsgate
London EC2M 3XJ

A member entitled to be present and vote at the meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the company. Forms of proxy must be received by the registrars not later than 48 hours before the time appointed for holding the annual general meeting. Completion of a form of proxy will not preclude a member from attending and voting in person.

Pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, the company has specified that only those ordinary shareholders registered in the register of members of the company at 12.00 noon on 7 March 1999 shall be entitled to attend and vote at the meeting in *respect of the number of ordinary shares registered in their name at that time. Changes to the* register of members after 12.00 noon on 7 March 1999 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

The register of directors' interests kept by the company in accordance with section 325 of the Companies Act 1985 will be open for inspection at the annual general meeting.

The annual report and accounts are sent to the holders of the company's 12⅝/16% debenture stock 2010, the 7.25% convertible unsecured loan stock 2003 and T.T. Finance PLC's 11⅝/16% debenture stock 2018 in accordance with section 238 of the Companies Act 1985 but any such holding does not entitle the holder to attend the annual general meeting.

Holders of preference shares are entitled to attend but not to vote at the meeting.