

Mercury
World Mining
Trust plc

Annual Report 31st December 1999



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MERCURY
ASSET MANAGEMENT



Mercury
World Mining Trust plc

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The Company's objective is to maximise total real returns to shareholders through a world-wide portfolio of mining and metal securities. Up to 10% of the assets may be invested in physical metals (including gold) from time to time.

SUMMARY OF CONSOLIDATED RESULTS

Group assets	31st December 1999	31st December 1998
Net assets (£'000)	223,397	230,284
Net assets per share	116.99p	60.92p
Share price (mid-market)	100.75p	56.25p
Gearing	11.2%	0%
Group revenue	Year ended 31st December 1999	Year ended 31st December 1998
Net revenue (£'000)	2,238	5,619
Earnings per ordinary share	1.00p	1.43p
Dividends per share – ordinary	1.20p	1.20p
– special	–	1.15p
Total dividend	1.20p	2.35p

Information about the Company is available on the Mercury Asset Management web site at www.mam.com

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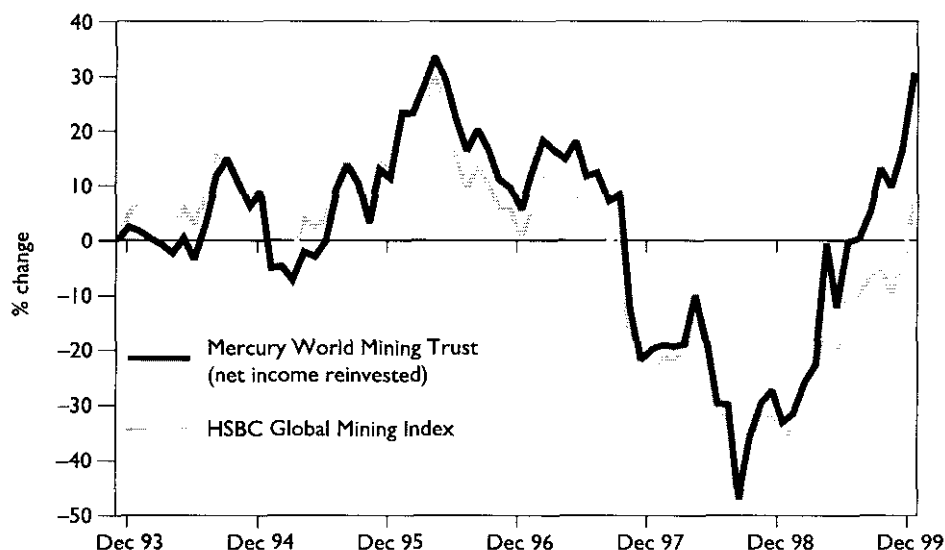
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Performance Record

Year ended 31st December	Net Assets attributable to Ordinary Shareholders £'000	Net Asset Value per Ordinary Share p	Gross Revenue £'000	Revenue available for Ordinary Shareholders £'000	Earnings per Ordinary Share p	Dividends paid per Ordinary Share p
1994	446,816	104.94	12,077	3,642	0.86	0.77
1995	452,762	106.27	15,758	5,637	1.32	1.00
1996	424,774	99.70	14,977	5,082	1.19	1.15
1997	318,494	74.75	11,163	3,894	0.91	0.85
1998	230,284	60.92	11,442	5,619	1.43	1.20*
1999	223,397	116.99	6,542	2,238	1.00	1.20

* Excluding a special dividend of 1.15p per share.

PORTFOLIO PERFORMANCE SINCE LAUNCH ON 15TH DECEMBER 1993



Performance is on a mid-to-mid basis, in sterling terms.

Sources: Mercury Asset Management, Datastream.

Chairman's Statement

I am pleased to report that 1999 has been an excellent year in terms of performance for shareholders, albeit from a low base, with the net asset value ("NAV") per share increasing by 96.5% during the year and the share price increasing by 86.2%. The recovery in the mining sector reflects forecast global growth and the improvement in sentiment towards base metals.

Performance to 31st December 1999 (with net income reinvested)	Since completion of the tender offer (22.2.99)	Twelve months	Since Launch (15.12.93)
Net asset value	+79.8%	+96.5%	+30.8%
– share capital changes	+1.6%	+4.4%	+5.8%
– underlying investment performance	+76.8%	+88.3%	+23.5%
Ordinary share price	+79.8%	+86.2%	+9.4%
HSBC Global Mining Index*	+61.0%	+69.6%	+7.3%

* capital only, adjusted for exchange rates relative to sterling.

Performance based on mid-market values with net income reinvested on ex-dividend date.

Sources: Mercury Asset Management, Datastream.

As I reported in my statement in the interim report, 164.8 million shares were tendered for cancellation on 22nd February 1999 at a price of 63.28p per share, leaving 213.2 million shares in issue, which was a pleasing outcome. The net asset value per share of the Company immediately after the tender offer was 68.05p, compared with 115.18p as at 14th February 2000.

The Company has continued to operate its share buy-back programme, purchasing a further 28.5 million shares for cancellation since the tender offer. We shall continue to buy back shares to enhance the underlying value of the remaining shares and to try to narrow the discount at which they trade to their NAV, although the buy-back programme itself appears to have had little impact on the discount. At the close of business on 14th February 2000 the shares stood at a discount of 18.4% to NAV, which is disappointingly high in the light of the recent performance.

The portfolio has been geared since February 1999 when some borrowings were introduced to fund part of the tender offer. As at 31st December 1999 the borrowings, which are in the form of an overdraft facility, totalled £24.9 million, representing 11.2% of the net assets of the Company. The use of borrowings to gear the portfolio can be of benefit to shareholders, and the

Chairman's Statement continued

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directors favour such borrowings being in the form of short-term facilities to maintain flexibility, as the mining markets can be prone to volatility. The gearing during the year has contributed about 4.5% to the investment performance.

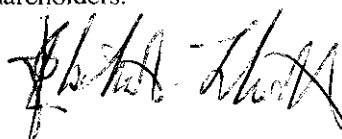
The Company's revenue, after taxation, for the year was 1.00p per share, compared with 1.43p in 1998. Your Board recommends payment of a final dividend of 1.20p per share (1998: 1.20p, plus a special dividend of 1.15p per share, reflecting the one-off effect of the share tender offer), payable on 3rd May 2000 to shareholders on the register at the close of business on 3rd March 2000.

As indicated in the last annual report, Mr S N Roditi stood down as a Director of the Company at the conclusion of the Company's Annual General Meeting in March 1999. I am pleased to announce that we have recently appointed Mr Adam Fleming, the Chairman of Harmony Gold Mining Company Ltd, as a director of the Company. Mr Fleming's knowledge of the mining industry will be extremely valuable to the Board and to the Investment Manager.

The Company has supported the Association of Investment Trust Companies' generic advertising campaign entitled "its", which we believe will benefit shareholders by improving demand for investment trust shares generally. Mercury Asset Management has recently undertaken a roadshow to target fee-based IFAs and private client stockbrokers to promote the Mercury investment trusts, including this Company.

As agreed with shareholders in December 1998, a resolution for the continuation of the Company will be proposed at each Annual General Meeting. Accordingly, the text of such a resolution is set out in the Notice of Meeting on page 55 and we hope you will vote in favour of this proposal. Moreover, we continue to believe that the recovery in the mining sector will be sustained throughout 2000, based upon forecast world growth expectations, and that there will be a continuing and beneficial consolidation in the industry as mining companies look to improve their returns to shareholders.

P S Wilmot-Sitwell
16th February 2000



Investment Manager's Report

PORTFOLIO PERFORMANCE

1999 was an excellent year for the Company's portfolio. Net asset value increased by 96.5% and the share price rose by 86.2% (both with net income reinvested), making this the best year in the Company's six year history. By comparison, the HSBC Global Mining Index (sterling terms, capital only) rose by 69.6%. The outperformance achieved by the portfolio is attributable to a combination of good stock selection, share buybacks and the favourable effects of gearing.

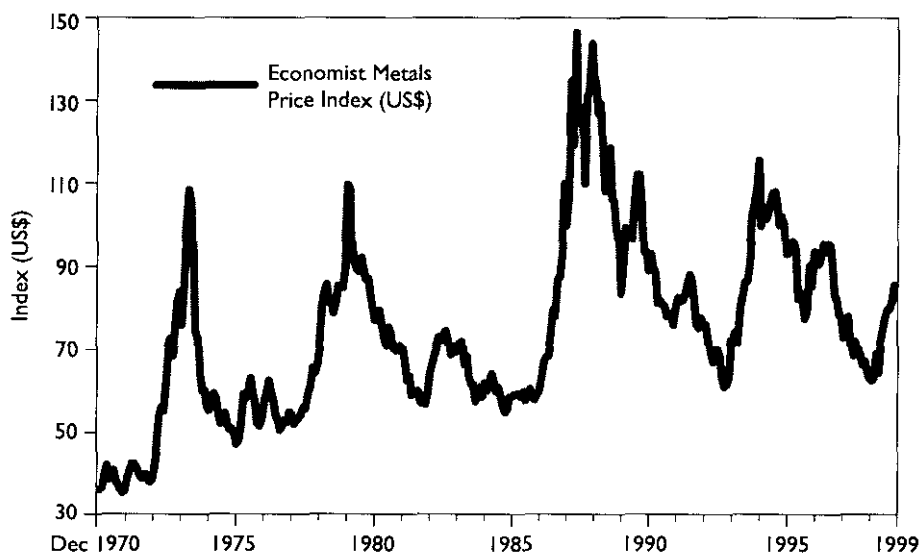
We are particularly pleased to report that the portfolio restructuring necessitated by the Company's tender offer in February 1999 has had no adverse effect on the portfolio performance during the year.

In comparison with the low point reached in August 1998, the Company's net asset value and share price have now risen by 150% and 146% respectively (sterling terms, net income reinvested).

BASE METAL AND MINING SHARE OVERVIEW

The early part of 1999 saw a turnaround in sentiment towards industrial commodities. Recovery in Asia, coupled with continuing strength in the

METAL PRICE CYCLES



Performance since 1.1.1971.

Source: Economist.

Investment Manager's Report continued

Moves in LME warehouse inventory

Metal (metric tonnes)	Dec 1998	Dec 1999	% change
Aluminium	635,050	771,275	+21.5
Copper	589,925	789,975	+33.9
Lead	108,350	176,675	+63.1
Nickel	65,988	47,304	-28.3
Tin	8,000	9,055	+13.2
Zinc	316,225	279,050	-11.8

Source: Datastream.

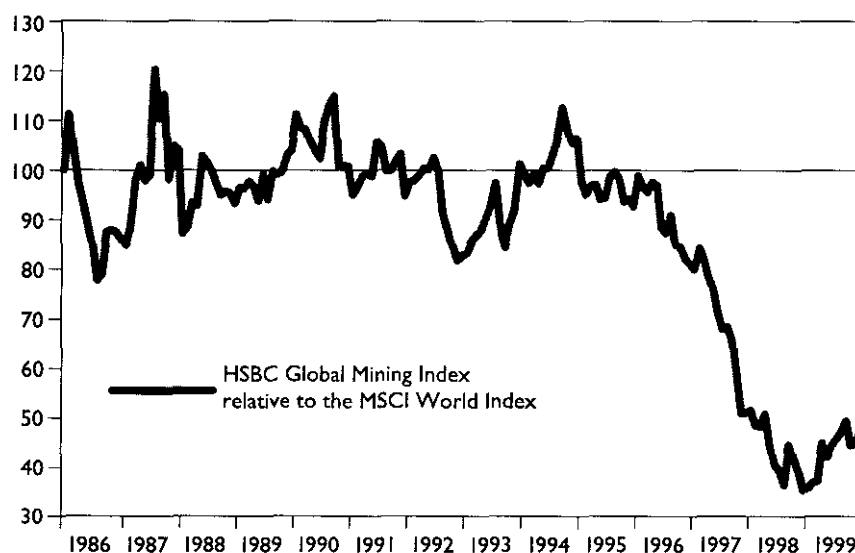
USA economy, gave a boost to metals demand that was largely unforeseen by analysts. Furthermore, the early part of 1999 saw much needed cutbacks of high cost mining capacity, notably in copper and nickel, which is helping to remove surplus material from the market.

As a result, inventories of metals in London Metal Exchange ("LME") warehouses stopped rising and price trends turned positive after a four year bear market. From the low point in February 1999 through to the year end, the Metallgesellschaft Base Metals Index rallied by 36.7% (dollar terms).

The upturn in metal prices has important ramifications for base metals' industry earnings and 1999 saw a powerful rally in mining equities, which had become oversold. From the August 1998 low point to the end of December 1999, the HSBC Global Mining Index (sterling terms, capital only) was up by 103%, putting the sector in the spotlight (for the right reasons) and propelling it towards the top of the performance league tables.

Although in absolute terms the sector bottomed out in August 1998, it was not until January/February 1999, coincident with the Company's tender offer,

RELATIVE PERFORMANCE OF GLOBAL MINING SHARES COMPARED WITH WORLD EQUITIES



Performance since 1.1.1986 rebased to 100.

Source: Datastream.

Investment Manager's Report *continued*

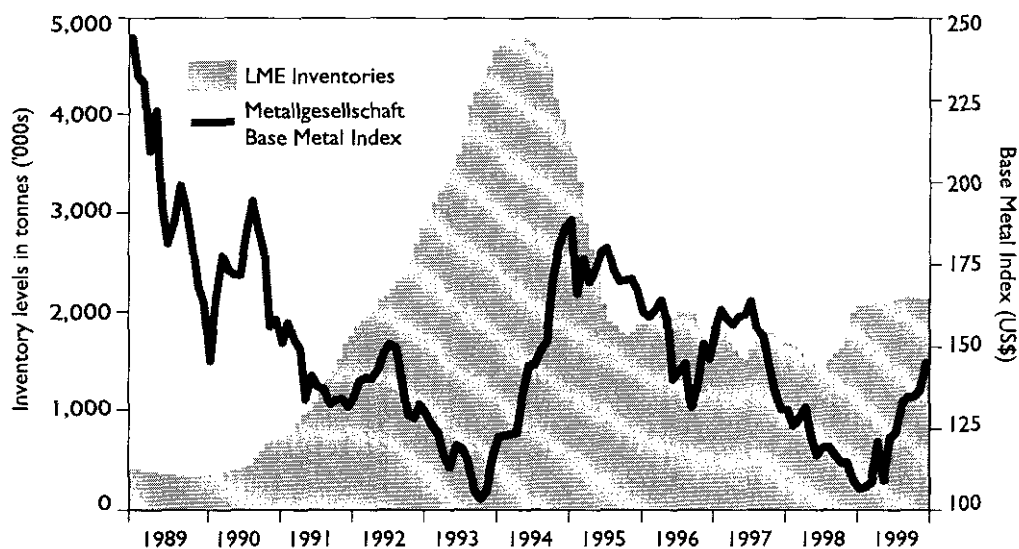
that the nadir was reached relative to world equities. It is interesting to note that despite strong performance in 1999, mining shares have not yet re-captured the underperformance suffered in 1995-98.

Base metals equities have continued to be a key performance driver of the Company's portfolio. Base metals exposure remains concentrated in aluminium and zinc, although we have raised exposure to copper somewhat since the interim stage.

Aluminium shares have proved to be one of the most successful areas for investment over a prolonged period of time. We have commented previously about the progress being made by the aluminium industry to lift its underlying profitability and the return on capital on the business. These policies are now yielding clear results and companies such as Alcoa, Comalco and Alcan are demonstrating that it is possible to generate satisfactory returns at low metal prices whilst retaining the capacity to achieve extremely good returns as the cycle improves.

Alcoa, cast in the role of industry leader, has had the highest visibility in this regard, raising its dividends and splitting its stock. As a consequence, it has

RELATIONSHIP BETWEEN BASE METAL PRICES AND LME INVENTORIES



Investment Manager's Report continued

Metal Prices

US\$/lb	Dec 1998	Dec 1999	% change
Aluminium	56	74	+32.1
Copper	66	84	+27.3
Lead	23	22	-4.3
Nickel	186	383	+105.9
Tin	234	277	+18.4
Zinc	42	56	+33.3
US\$/oz			
Gold	288	291	+1.1
Palladium	329	454	+38.0
Platinum	362	445	+22.9

Source: Datastream.

enjoyed a re-rating and we have taken the opportunity to take some profits, reducing the holding from 7.3% at the start of 1999 (when it represented the largest investment in the portfolio) to 4.1% at the end (reducing it to the 6th largest).

As mentioned in the interim report, we switched some of the Alcoa proceeds into Pechiney (Europe's leading aluminium producer) and the struggling US aluminium company Reynolds. This was timely as both Pechiney and Reynolds were subsequently bid for by Alcan and Alcoa respectively. Both of these important mergers are potentially "value accretive" and we believe that they will have a positive effect on performance. Both deals are subject to regulatory review but, if approved, Alcan could become the largest single investment in the portfolio (representing about 7.5% of assets) and Alcoa could be close behind (about 7.0%). At year end the Company's aggregate aluminium exposure stood at just under 17%, slightly below the level at the end of 1998.

The outlook for aluminium industry earnings is favourable. The aluminium price bottomed in March 1999 at 52c/lb and by year end had reached 74c/lb, a rise of 42%. Demand has been strong in the USA and has recovered in Asia. As ever, the industry has remained relatively disciplined in terms of supply and this is expected to continue. In July 1999 an explosion destroyed Kaiser's alumina plant at Gramercy in the USA, severely constraining global smelter output, and contributing to a potential further rise in aluminium prices (and corporate earnings) in the event of further demand growth. The portfolio did not hold any Kaiser shares.

Zinc shares make up the second important part of the Company's base metals exposure. We have maintained an overweight exposure for a lengthy period in the belief that the steady improvement of supply/demand fundamentals would eventually lead to a sustainable improvement in the zinc price. There are now clear signs that this patience will be rewarded. During the first half of the year LME inventories of zinc dropped below 300,000 tonnes for the first time since 1992. Further falls in the second half saw inventories decline to 279,050 tonnes. We have now reached the point where some consumers will be concerned about supply and will build their own

Investment Manager's Report *continued*

inventory, thus contributing to market tightness. Zinc prices have indeed improved and at the year end stood at 56.2c/lb, an increase of 33% in comparison with the end of 1998.

Our two main zinc investments, Cominco and Pasmaico, have benefited greatly from this upturn in the metal price, rising by 91% and 48% respectively during the year (sterling terms). Both companies have successfully lifted output during 1999 and are well placed to show powerful earnings growth in the better pricing environment that we expect to see in 2000. A third long-standing zinc investment, Ivernia West, is also well positioned to benefit from strong zinc prices, having commissioned its Lisheen mine in Eire towards the end of 1999.

During the year we increased the level of risk in the portfolio's zinc exposure by acquiring a stake in MIM, the Australian zinc-lead-copper company. MIM has been out of favour, suffering from an over-stretched balance sheet. MIM would be a major beneficiary of higher metal prices and could prove to be a top performer during 2000.

In the interim report, we noted that the negative stance towards copper shares was being reversed. Cutbacks of mine capacity made by Phelps Dodge, BHP, Asarco, Cyprus Amax and others appeared to have restored the balance between supply and demand, thus helping to significantly brighten the market outlook. This has indeed helped the copper price, which finished the year up by over 25%.

At the end of 1999, "pure play" copper exposure in the portfolio (i.e. companies such as Phelps Dodge and Palabora) stood at about 5%. Additional exposure is gained through more diversified stocks such as MIM and Grupo Mexico. As with the aluminium sector, the copper industry has seen a wave of mergers and consolidation. The second half of 1999 saw two venerable copper names, Asarco and Cyprus Amax, disappear; the former bought out by Grupo Mexico and the latter by Phelps Dodge. The Company's portfolio had a small position in Cyprus Amax which was tendered to Phelps Dodge for equity. The holding in Phelps Dodge now comprises 3.7% of the portfolio, making it the 9th largest investment.

Investment Manager's Report continued

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The portfolio's exposure to nickel remains at a modest level of 3%. Although the price of nickel has been strong (spurred on by the operational problems at mines in Australia), we have resisted the temptation to build holdings. While Falconbridge has proved to be a good investment this year, our other nickel investments have been disappointing. A specific problem has been the lack of a resolution in the long-running saga surrounding permits at Inco's Voisey Bay deposit in Newfoundland. As a result we have now decided to dispose of the Company's holding in the Inco VBN stock. The long-term outlook for nickel is unpredictable. We remain concerned about the negative ramifications of Anglo American's entry into the market (through the provision of technical help to the Australian nickel mining companies) and we will maintain low weightings in nickel equities for the moment.

Two other conspicuously good performers in 1999 were our Brazilian iron ore investments, CVRD and Samitri. These two companies benefited from the devaluation of the Brazilian real and the improving outlook for global steel demand (and hence iron ore). We believe that Samitri could well prove to be a target for corporate action in 2000.

PRECIOUS METALS OVERVIEW

For much of the year, gold continued its dismal run, falling to a 20-year low of \$252.10/oz in August. The renewed weakness was sparked off in May by the Bank of England's announcement that it would hold auctions aimed at more than halving the UK's gold reserves from 715 tonnes to 315 tonnes. This announcement was unexpected and came at a time when the gold markets were still digesting the implications of prior sale announcements from the IMF and the Swiss authorities. We responded to this bleak situation by paring the portfolio's gold exposure down from 24% (at end 1998) to about 20% (at end June). We also concentrated the portfolio in a small number of core stocks, all of which are well able to survive in adverse conditions, notably Buenaventura (4.6% of the portfolio), Gold Fields (3.3%), Harmony (3.2%) and AngloGold (2.9%).

The adverse sentiment which surrounded the first Bank of England auction provided a perfect opportunity for the Company to acquire some cheap gold

Investment Manager's Report *continued*

MOVEMENT IN AVERAGE COMMODITY PRICES

	1994	1995	1996	1997	1998	1999	% change 1998/ 1999
Base metals (US\$/lb)							
Aluminium	67	82	68	73	62	62	–
Copper	105	133	104	103	75	71	–5.3
Lead	25	28	35	28	24	23	–4.2
Nickel	288	373	340	313	210	273	+30.0
Tin	248	282	280	256	251	245	–2.4
Zinc	45	47	46	60	47	49	+4.3
Precious metals (US\$/oz)							
Gold	384	384	388	331	294	279	–5.1
Silver	5.3	5.2	5.2	4.9	5.5	5.2	–5.5
Palladium	143	151	128	177	285	359	+26.0
Platinum	405	424	398	395	372	377	+1.3

Source: Datastream.

bullion, and we invested about 1% of the portfolio in physical metal. This proved to be excellent timing as on 27th September 1999 the market was reinvigorated by a communiqué from the leading European Central Banks (“the Washington Agreement”) setting limits on the amount of their activity in the gold market. The European Central Banks (including the UK and Switzerland) agreed to restrict aggregate sales (including previously announced sales) to no more than 400 tonnes per year over a 5-year period. Furthermore, the Banks said that they would not lend any additional gold.

The Washington Agreement was important for two reasons. First, it brought clarity to Central Banks’ gold reserve policy. One of the major factors contributing to gold reaching a 20-year low was the uncertainty and fear surrounding the potential for unlimited Central Bank sales. Such uncertainty provided a cap on the gold market, which would now appear to have been removed – a major plus-point. Secondly, the limit on any further lending of gold is an important development. Limiting the pool of gold liquidity could reduce the supply of gold coming on to the physical market. This will be positive for gold market supply/demand fundamentals. The limit on lending

Investment Manager's Report continued

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will be likely to curb any further increase in mining company forward selling and, very importantly, the speculative short selling by funds, one of the biggest negative factors impacting gold recently.

The Washington Agreement was a totally unexpected boost for the gold market. Investors who had "short sold" gold found that the economics of the market had changed; the price of gold went up and the cost of sustaining a short position in the market rose as well. By the time the rally lost momentum, gold had climbed above \$330/oz, its most violent increase for 15 years. This rally in gold triggered a scramble for gold equities which, unfortunately, proved to be short-lived amidst disappointment that gold could not move even higher.

The Company's gold shares had a mixed performance in this volatile and challenging environment. However, we were helped by our long-standing commitment to holdings in gold companies with relatively small "hedge books". Whilst hedging helps to soften the impact of a falling gold price, it works in the opposite fashion when market conditions reverse. Un-hedged companies such as Harmony and Gold Fields thus emerged as top performers in the stockmarket.

Corporate action continued apace in the gold sector, driven by the poor gold price in the first half of the year. The main transactions to affect the Company came towards the end of the year when AngloGold acquired Acacia and Western Areas announced plans to merge with Randfontein and Randgold. This latter merger has now been thwarted by Harmony's subsequent successful counter-bid for Randfontein.

Our platinum investments performed exceptionally well during 1999. The platinum and palladium prices rose by 23% and 38% respectively during the year, giving a boost to the current and prospective earnings of the platinum miners. Through a combination of performance and asset allocation, the Company's exposure to platinum rose from 5% at the end of 1998 to over 16% at the end of 1999. This represents a very overweight position in comparison with the benchmark (3.4%). Our investments are concentrated in the two leading South African producers, Anglo American Platinum (3.4%) and Impala (6.5% of the portfolio and the Company's largest investment). In

Investment Manager's Report continued

addition we have holdings in Northam, Gencor, Stillwater and Aquarius Platinum, which together comprise 6.6% of the portfolio.

There are two important factors that attract us to the South African platinum companies. Firstly, we like their financial arithmetic. High platinum and palladium prices mean that profit margins are virtually unparalleled within the mining sector. As a consequence, balance sheets are good and dividends have been substantially increased. Secondly, we like the long-term demand outlook for the platinum metals. Platinum is a "high-tech" metal in that it has uses in all sorts of areas such as catalysts, electronics and fuel cells. In addition it has become a fashion metal for young, rich jewellery buyers. As such it enjoys a good demand outlook.

On the supply side, the industry remains dominated by a small number of players who have successfully matched supply with demand and grown the industry at a steady pace. Barriers to entry are high. Russia, however, remains a wild card as its stockpiles are still an unknown quantity and bureaucratic delays frequently make supply an erratic prospect. This means that our investments in this area are likely to prove volatile.

DIVERSIFIED MINING COMPANIES

This is usually an underweight sector in the Company's portfolio, although that does not mean that there are no attractive investment opportunities. One of the central strategies that we implemented in the first half of 1999 was to position the portfolio so as to benefit from the restructuring and re-domiciling of Anglo American Corporation in London. The formation of the "new" Anglo American involved merger and acquisition activity, much of which was of benefit to the Company's portfolio. The most important transactions were the mergers with Minorco and Amgold, as well as 1998's merger with Amcoal. All three of these mergers were done on terms attractive to investors. Furthermore, Anglo American itself enjoyed a significant share price rally as UK institutions, especially tracker funds, built up holdings ahead of the company's entry into the FTSE All-Share Index and the FTSE100. During the course of 1999, the Anglo American share price rose by 135% (sterling terms).

Investment Manager's Report continued

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As a consequence of the share price performance and the merger transactions, Anglo American became the largest investment in the portfolio, peaking at over 10%. We felt that this was too large a commitment and therefore lightened the holding, switching a portion of the proceeds into De Beers. By the end of 1999, the holding in Anglo stood at only 3.7%, while the holding in De Beers had risen to 4.5%.

De Beers is an exciting investment at the moment. The millennium provides it with an excellent marketing opportunity which we expect the company to take full advantage of, thereby reducing the size of the diamond stockpile and further strengthening its already powerful balance sheet.

The Company's largest diversified mining holding is Billiton. This turned out to be one of the best performing mining shares of the year, rising by 228% off its February 1999 low. Like Anglo American, Billiton became caught up in the UK market's mining equity "stock shortage". The strength of the UK mining shares against the FTSE100 meant that "underweight" investors had to buy aggressively to neutralise further under-performance. Billiton's share price strength helped it to become a major holding in the portfolio, standing at 4.9% at the year end, although we have recently been crystallising some profits.

GEARING

Since the completion of the tender offer, the portfolio has maintained a gearing level of between 10% and 15%. This reflects our positive view on the outlook for mining shares. In the rising markets which prevailed in 1999, gearing positively contributed to the capital performance of the portfolio; it remains in the form of overdraft facilities and can be repaid at any time without penalty.

METALS INVESTMENT

In the past, the Company has made little use of its flexibility to invest directly in metals, other than gold. From time to time opportunities arise which are worth considering, such as the recent Bank of England gold auctions mentioned above. We may exploit such opportunities in all metals during 2000 through one of the Company's trading subsidiaries, although such exposure will be restricted to 10% of the assets at the time of investment.

Investment Manager's Report *continued*

OUTLOOK

The prices of base metals and industrial minerals are driven by global macro economic trends and their consequent effects on supply and demand. We expect 2000 to be a robust year for global GDP and if this turns out to be the case then it has positive ramifications for metal prices and mining sector earnings.

An important area of uncertainty is the potential policy response by the world's Central Banks to strong global growth. So far, the strengthening global economy has not sparked off a significant rise in inflation, largely because a process of "disintermediation" is squeezing profit margins in the manufacturing industry and rises in raw materials prices are not flowing through into consumer price inflation. We expect this pattern to persist in 2000 and anticipate only modest tightening of monetary policy. These conditions could prove favourable for mining companies.

The outlook for gold has certainly brightened following the Washington Agreement and recent statements from leading mining companies suggesting that hedging activities are being curtailed. Nonetheless, the gold price continues to lag behind that of other commodities. Gold shares are very sensitive to small movements in the gold price and only a modest catch up by gold in 2000 would lead to good returns from the gold equities in the portfolio. As we rightly said in the interim report, this sector retains the capacity to deliver a surprise.

Mining shares have now recovered a good deal from their low point in 1998 and are certainly not as cheap as they were a year ago. However, with further upward metal price momentum being a real possibility in 2000, we believe that there is scope for continued outperformance against world equities as well as, hopefully, further good performance in absolute terms.

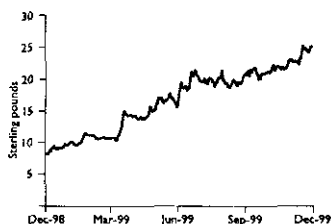
Mercury Asset Management Ltd
16th February 2000

Ten Largest Investments

31st December 1999

Impala Platinum

Share price performance*
31st December 1998 to 31st December 1999



Set out below is a brief description by the Investment Manager of the Company's ten largest investments.

IMPALA PLATINUM is the world's second largest primary producer of platinum metals, with mining and refining operations in South Africa. Impala also owns a 27% stake in the Lonmin Group of platinum companies and is a major shareholder of Aquarius Platinum and Platexco, two junior platinum mining companies. Measures taken to cut costs have greatly improved productivity, which has more than doubled in the last five years. Profitability has surged as a result, contributing to excellent share price performance and an increase in dividends. Mercury World Mining Trust also has a holding in Gencor, which owns 43% of Impala.

Cominco

Share price performance*
31st December 1998 to 31st December 1999



COMINCO is the world's premier producer of zinc concentrates and the fourth largest producer of zinc metal. The company operates a number of mining, smelter and processing facilities located in Canada, the USA and South America. The company's main asset is the Red Dog mine in Alaska, which is the largest zinc orebody in the world. Cominco is also a producer of other metals including copper, lead and molybdenum.

Billiton

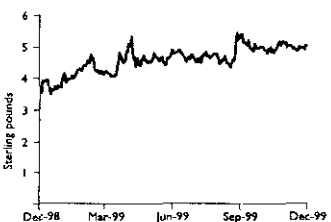
Share price performance*
31st December 1998 to 31st December 1999



BILLITON is one of the largest diversified mining companies in the world. With operations in South Africa, Australia and South America, the company is a major producer of both alumina and aluminium. Billiton is currently developing the Mozal aluminium smelter in Maputo, Mozambique. The group also produces coal, nickel, steel and ferroalloys, titanium minerals and base metals.

Minas Buenaventura

Share price performance*
31st December 1998 to 31st December 1999



MINAS BUENAVENTURA is South America's largest and most profitable precious metals producer. The company's principal asset is a 44% interest in the Yanacocha gold mine, which it jointly owns with Newmont Mining. The mine is one of the lowest cost operations in the world, with total costs around the US\$134 per ounce level. In addition to its gold interests, Buenaventura is also a producer of silver and copper and has excellent exploration acreage in Peru.

* Sterling adjusted.

Ten Largest Investments continued

31st December 1999

De Beers

Share price performance*
31st December 1998 to 31st December 1999



DE BEERS is the world's largest producer of diamonds. Together with its partners, the company produces approximately 50% by value of the world's diamonds from around 20 mining operations in southern Africa. Through the wholly-owned CSO (Central Selling Organisation), De Beers is responsible for the marketing of around 65% by value of rough diamonds. De Beers reported record rough gem diamond sales in 1999, a result which the company expects to at least match in 2000. The company also owns a significant investment portfolio, which includes a 35% stake in Anglo American.

Alcoa

Share price performance*
31st December 1998 to 31st December 1999



ALCOA is the world's premier producer of aluminium. The company is involved in all stages of the aluminium business, from the production of raw materials through to the marketing of finished products. In August, Alcoa made a bid for Reynolds Metals, in which Mercury World Mining Trust also has a stake. The deal will lift Alcoa's share of western world primary aluminium production to around 23%. Through its cost-cutting programmes and disciplined management of excess production capacity, the company has consistently lifted its underlying profitability. Alcoa was the best performing stock in the Dow Jones Industrial Average in 1999.

Pechiney

Share price performance*
31st December 1998 to 31st December 1999



PECHINEY is Europe's leading producer of primary aluminium and a major producer of flat-rolled products. The company is also a world leader in plastic packaging for food, personal care and beauty industries. In July, Pechiney sold part of its stake in American National Can Group, a major producer of beverage cans in North America and Europe. In August, the company announced details of a proposed merger with Alcan and Alusuisse. The merger will create one of the largest aluminium companies in the world.

Pasminco

Share price performance*
31st December 1998 to 31st December 1999



PASMINCO is the world's largest refiner of zinc, with operations in Australia, the USA and Europe. Pasminco commissioned the Century mine in Queensland this year, making the first shipment of concentrate to the Budel smelter in Holland in December. Century is expected to be running at full capacity by the end of 2001, at which time Pasminco will be the world's leading miner and refiner of zinc.

* Sterling adjusted.

Ten Largest Investments continued

31st December 1999

Phelps Dodge

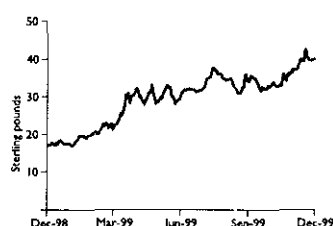
Share price performance*
31st December 1998 to 31st December 1999



PHELPS DODGE is a leading producer of copper and molybdenum and the world's largest producer of continuous-cast copper rod. The company also has a world-class carbon black business. In December, the company completed the acquisition of Cyprus Amax Minerals to become the world's second largest producer of copper. The company's main mining operations are located in the USA and South America.

Anglo American

Share price performance*
31st December 1998 to 31st December 1999



ANGLO AMERICAN is one of the world's largest and most diversified mining companies. Through its subsidiary and associate companies, Anglo is the largest producer of gold, platinum and diamonds. The company also has significant mining interests in ferrochrome, coal, base metals, industrial minerals and vanadium, as well as other investments in industrial and financial groups. Anglo American was listed on the London Stock Exchange in May 1999.

* Sterling adjusted.

Investment	Date holding first acquired	Book cost £'000	Income since investment £'000	Market value at 31st December 1999 £'000	% of investments
Impala Platinum	September 1994	8,422	1,033	16,216	6.5
Cominco	July 1995	12,010	867	13,267	5.3
Billiton	October 1997	4,333	793*	12,368	4.9
Minas Buenaventura	May 1994	5,822	3,820*	11,679	4.6
De Beers	January 1999	10,594	49	11,278	4.5
Alcoa	December 1993	3,307	1,487	10,296	4.1
Pechiney	January 1996	6,491	61	9,483	3.8
Pasminco	March 1994	11,031	1,217	9,385	3.7
Phelps Dodge	February 1994	8,115	1,862	9,371	3.7
Anglo American	October 1996	5,835	815	9,212	3.7
Total		75,960	12,004	112,555	44.8

* Includes stock dividends.

Investments

31st December 1999

	Main geographic exposure	Market value £'000	% of investments
Aluminium			
Alcoa	USA	10,296	4.1
Pechiney	Europe	9,483	3.8
Alcan Aluminium	Canada	7,661	3.1
Comalco	Australia	7,366	2.9
Reynolds Metals	USA	7,066	2.8
		41,872	16.7
Copper			
Phelps Dodge	USA	9,371	3.7
Palabora Mining	South Africa	2,705	1.1
		12,076	4.8
Diamonds			
De Beers	South Africa	11,278	4.5
Aber Resources	Canada	1,530	0.6
Namibian Minerals	Africa	1,494	0.6
		14,302	5.7
Diversified			
Billiton	Europe	12,368	4.9
Anglo American	South Africa	9,212	3.7
CVRD (includes ADRs)	Latin America	7,049	2.8
MIM	Australia	5,700	2.3
Grupo Mexico	Latin America	5,485	2.2
Anglovaal Mining	South Africa	2,247	0.9
Falconbridge	Canada	2,221	0.9
Broken Hill	Australia	1,218	0.5
Others (2 companies, both less than 0.5%)		1,608	0.6
		47,108	18.8
Gold			
Minas Buenaventura (includes preference)	Latin America	11,679	4.6
Gold Fields	South Africa	8,259	3.3
Harmony Gold Mining	South Africa	7,940	3.2
AngloGold	South Africa	7,183	2.9
Western Areas	South Africa	5,089	2.0
Gold Bullion	Bullion	1,806	0.7
Others (4 companies, all less than 0.5%)		1,809	0.7
		43,765	17.4
Platinum			
Impala Platinum	South Africa	16,216	6.5
Anglo American Platinum	South Africa	8,578	3.4
Gencor	South Africa	8,011	3.2
Northam Platinum	South Africa	6,045	2.4
Stillwater Mining	USA	1,848	0.7
Aquarius Platinum	Australia	873	0.3
		41,571	16.5

Investments continued

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31st December 1999

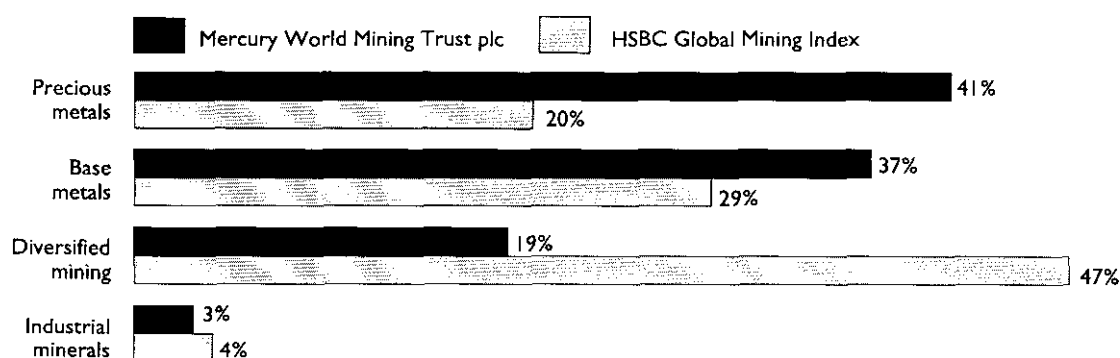
	Main geographic exposure	Market value £'000	% of investments
Silver			
Industrias Penoles	Latin America	5,643	2.2
		5,643	2.2
Zinc			
Cominco	Canada	13,267	5.3
Pasminco	Australia	9,385	3.7
Ivornia West	Europe	3,871	1.5
Minera Milpo	Latin America	3,168	1.3
		29,691	11.8
Other			
Minsur	Latin America	4,706	1.9
Minera Samitri	Latin America	2,866	1.2
Iluka Resources	Australia	2,503	1.0
Inco (VBN shares)	Canada	1,863	0.7
Consolidated Energy	USA	1,503	0.6
Others (3 companies, all less than 0.5%)		1,823	0.7
		15,264	6.1
Total investments		251,292	100.0

All investments are in ordinary shares unless otherwise stated.

The total number of investments held at 31st December 1999 was 49 (1998:46).

Sector weightings

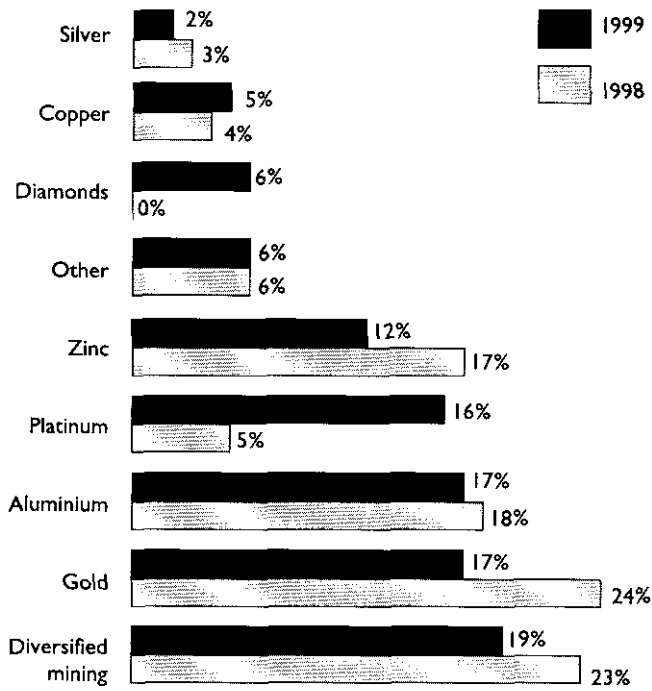
compared with the benchmark index



Portfolio Analysis

31st December 1999

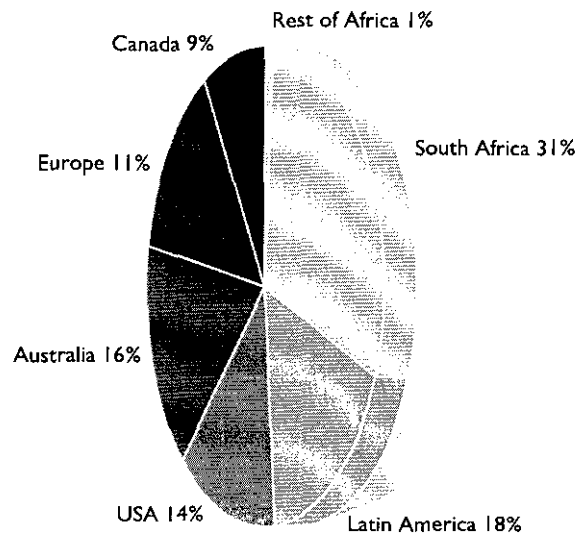
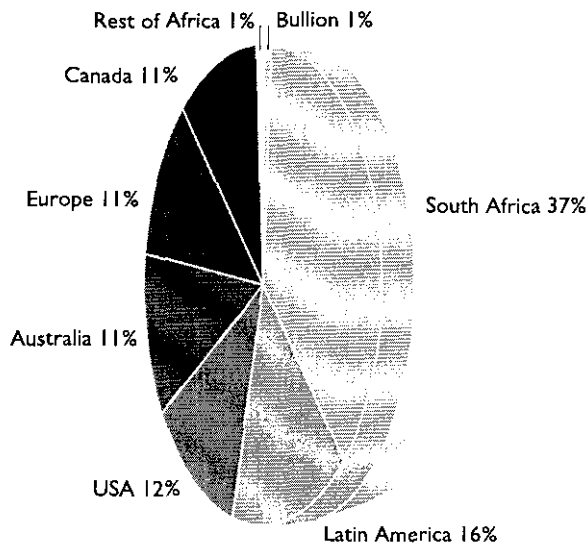
COMMODITY EXPOSURE*



GEOGRAPHIC EXPOSURE*

1999

1998



*Based on the principal commodity exposure and place of operation of each investment.

Directors

PETER S WILMOT-SITWELL*

(Chairman)

Aged 64, has been the Chairman of the Company since its launch in December 1993. He is a director of Anglo American plc and a non-executive director of Close Brothers Group plc, Foreign & Colonial Income Growth Investment Trust plc and a number of other companies.

JULIAN G A BARING

Aged 64, was the head of Mercury Asset Management's mining team until his retirement at the end of 1997, when he became a consultant. He has been a director of the Company since its launch in December 1993. He was previously a partner of James Capel and head of their mining department for 25 years.

ANDREW E BUXTON*

Aged 64, was appointed to the Board of the Company in April 1994. He was an executive director of Rio Tinto plc until his retirement in 1992. He is a non-executive director of Norwich Union plc and a number of other companies.

ADAM R FLEMING*

Aged 51, was appointed to the Board of the Company on 8th December 1999. He is chairman of Harmony Gold Mining Company Limited.

LIONEL G STOPFORD SACKVILLE*

Aged 67, has been a director of the Company since its launch in December 1993. He is currently chairman of Pantheon International Participations plc and a director of Dartmoor Investment Trust plc and of a number of mining and investment companies.

LORD VINSON, LVO, DL*

Aged 69, has been a director of the Company since its launch in December 1993. He is a non-executive director of Fleming Income & Growth Investment Trust plc and of a number of other companies. He is vice president of the Institute of Economic Affairs.

* Independent director and member of the Audit and Management Engagement Committee.

All the directors are non-executive.

Directors' Report

The directors present the annual report and financial statements of the Company and its subsidiary undertakings for the year ended 31st December 1999.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is portfolio investment and that of its two subsidiary undertakings, Mercury Gold Limited and World Mining Investment Company Limited, is investment dealing.

A review of the business is given in the Investment Manager's report.

STATUS OF THE COMPANY

The Inland Revenue has approved the Company as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act ("ICTA") 1988 for the year ended 31st December 1998 and its affairs have been directed so as to enable it to continue to seek such approval.

The Company ceased to be an investment company as defined by section 266 of the Companies Act 1985 in 1998. Ordinarily, this would require the Company to adopt a different presentation of the financial statements than that recommended by the Association of Investment Trust Companies. The Directors, however, believe that it would be misleading for the format of the financial statements to be changed as this would obscure and distort both the revenue and capital performance of the Company and would not show clearly the revenue profits emerging to be distributable by

way of dividend. Therefore, the Company's financial statements have been prepared in accordance with the Statement of Recommended Practice ("SORP") applicable for investment trusts.

The loss of investment company status has not affected the management of the Company's assets.

As a result of a change to the Companies Act 1985 last year which allows a company to maintain its status as an investment company even though it redeems or purchases its own shares, the Company proposes to reregister as an investment company. This will require the Company to make certain amendments to its Articles of Association. Details of the proposed amendments to the Articles of Association are described on page 27 below. The Company will requalify as an investment company upon the filing of the required notice, following the approval of the amendments to the Articles, but the Company will not be able to take advantage of section 265 of the Companies Act 1985 (which allows an investment company to disregard losses on capital account when paying dividends out of revenue account) until 2002.

The Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

Directors' Report continued

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CONTINUATION OF THE COMPANY

As agreed by shareholders on 9th December 1998, an ordinary resolution for the continuance of the Company will be proposed at the forthcoming Annual General Meeting and each future Annual General Meeting.

RESULTS AND DIVIDEND

The revenue for the Group is set out in the consolidated revenue account on page 35. Consolidated revenue for the year, after taxation, was £2,238,000 (1998: £5,619,000).

The directors recommend the payment of a final dividend of 1.20p per share in respect of the year ended 31st December 1999 (1998: interim dividend of 1.20p, plus a special dividend of 1.15p per share, which reflected the one-off effect of the tender offer). The dividend will be paid on 3rd May 2000 to shareholders on the register of members at the close of business on 3rd March 2000. The cost of the dividend amounts to £2,218,000.

DERIVATIVE TRANSACTIONS

One of the Company's subsidiary undertakings, World Mining Investment Company Limited, has sold covered options in respect of its gold bullion holdings during the year. All of these options expired unexercised.

SHARE CAPITAL

Details of changes in the Company's share capital during the year, including the share tender offer in February 1999, are given in note 19 on pages 46 and 47.

DIRECTORS

The directors of the Company, all of whom, with the exception of Mr A R Fleming, held office throughout the year under review, and their interests in the ordinary shares of the Company, are shown in the table below.

All of the holdings of the directors are beneficial. No changes to these holdings had been notified up to the date of this report.

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

	31st December 1999 Ordinary Shares	1st January 1999 (or date of appointment if later) Ordinary Shares
P S Wilmot-Sitwell	45,000	45,000
J G A Baring	154,000	154,000
A E Buxton	8,000	8,000
A R Fleming	—	—
L G Stopford Sackville	10,000	10,000
Lord Vinson	20,000	20,000

Directors' Report continued

Mr S N Roditi retired as a director of the Company on 24th March 1999 and Mr A R Fleming was appointed as a director on 8th December 1999.

In accordance with the Articles of Association, Mr L G Stopford Sackville retires by rotation and Mr A R Fleming, having been appointed since the last Annual General Meeting, also retires. Being eligible, they offer themselves for re-election and election respectively. None of the directors has a service contract with the Company.

SUBSTANTIAL INTERESTS

The Company is aware that the following shareholders owned 3% or more of the ordinary shares of the Company on 14th February 2000:

	Number of Ordinary Shares	% of Issued Ordinary Share Capital
Phillips & Drew Fund Management Ltd	35,318,984	19.1
Schroder Investment Management Ltd	17,785,325	9.6
Clients of Mercury Asset Management	15,461,023	8.4
Tameside Metropolitan Borough Council	11,269,209*	6.1
Merseyside Pension Fund	10,000,000	5.4
Legal & General Investment Management Ltd	6,593,488	3.6

* Included in Phillips & Drew figure above.

No other shareholder has notified an interest of 3% or more in the Company's shares up to 14th February 2000.

INVESTMENT MANAGEMENT AND ADMINISTRATION

Mercury Asset Management Ltd ("Mercury") is the Investment Manager of the Company under a contract terminable at six months' notice. The management fee was reduced from 1% per annum to 0.95% of gross assets with effect from 22nd February 1999.

Mercury Asset Management Group Services Ltd ("MAMGS") is the secretary and administrator and The Bank of New York Europe Limited ("BNYE") (formerly RBS Trust Bank Ltd), is the custodian of the Company's assets. The Bank of New York completed the acquisition of RBS Trust Bank Ltd from The Royal Bank of Scotland plc on 31st October 1999. MAMGS receives an annual fee of 0.05% of gross assets and BNYE receives an annual fee of 0.1% of gross assets. In both cases, the appointments are terminable at six months' notice.

Both Mercury and MAMGS are subsidiaries of Merrill Lynch & Co., Inc.

VOTING POLICY

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager. However, the consent of the Chairman of the Board is sought prior to the Investment Manager voting against incumbent management in respect of any stock held in the portfolio.

The Investment Manager's voting policy states:

Directors' Report continued

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“We will vote in favour of proposals which we expect to enhance shareholder value; we will vote against proposals which we believe may damage shareholders' rights or economic interests; in these situations we would normally have raised our concerns with management in advance; and we will normally abstain on proposals which have no impact on shareholder value and pose no threat to shareholders' interests.”

YEAR 2000

None of the systems which the Company uses in the operation of its business experienced any date-related problems over the millennium weekend or since.

None of the companies in which the Company was invested at 31st December 1999 appear to have experienced any serious operational problems over the same weekend.

DONATIONS

The Company made no political or charitable donations during the year.

PAYMENT OF SUPPLIERS

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. Suppliers of goods and services are generally paid within 30 days of the date of any invoice. The Company has no trade creditors.

AUTHORITY TO BUY BACK SHARES

Under the buy-back programme, excluding the share tender offer, a total of 76,440,734 ordinary shares had been purchased and cancelled up to 14th February 2000. The latest authority to purchase ordinary shares for cancellation was granted to the directors on 9th December 1998 and expires on 31st May 2000. The directors are proposing that their authority to buy back ordinary shares for cancellation is renewed. Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing net asset value per ordinary share. Under the rules of the London Stock Exchange the maximum price which can be paid is 5% above the average of the market values of the ordinary shares for the five business days before the purchase is made. Ordinary shares which are purchased will be cancelled. In making purchases, the Company will deal only with member firms of the London Stock Exchange. The directors are seeking authority to purchase up to 27,700,000 ordinary shares (being 14.99% of the issued share capital). This authority, unless renewed, will expire on 21st September 2001.

The Company intends to raise the cash needed to finance the purchase of ordinary shares either by selling securities in the Company's portfolio or by borrowing.

AMENDMENTS TO ARTICLES OF ASSOCIATION

There has been a recent change to the Companies

Directors' Report *continued*

Act 1985 to the effect that a company may qualify as an investment company (as defined in section 266 of the Act) notwithstanding that it redeems or purchases its own shares in accordance with section 160 or 162 of the Act out of its capital profits. However, in order to qualify as an investment company, the company's memorandum or articles of association must prohibit other distributions out of capital profits. The directors are therefore proposing as special business at the Annual General Meeting to amend the Articles of Association to prohibit the distribution of capital profits other than for the redemption or purchase of its own shares in accordance with section 160 or 162 of the Companies Act 1985. This will allow the Company to qualify as an investment company whilst buying-back its own shares out of capital profits under the buy-back programme.

AUTHORITY TO ALLOT SHARES

The directors are proposing as special business at the Annual General Meeting to renew the authority granted to the directors on 24th March 1999 to allot shares for cash without first offering them to existing shareholders in proportion to their holdings. This entitlement is known as a "pre-emption right". In certain circumstances it is beneficial to allot shares for cash otherwise than pro rata to existing shareholders and the shareholders can, by special resolution, waive their pre-emption rights.

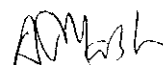
Therefore, a special resolution will be proposed at the Annual General Meeting to renew the directors' existing authority to allot shares up to an aggregate nominal amount of £460,000 (equivalent to 9,200,000 ordinary shares of 5p each, representing 4.98% of the Company's ordinary shares in issue). The authority will expire, unless renewed, on 8th December 2003.

This resolution would enable the directors to avoid the necessity of seeking shareholder approval on a case-by-case basis for the issue of shares. Any such issues would only be made at prices greater than net asset value per share and therefore would increase the assets underlying each share. The issue proceeds would be available for investment in line with the Company's investment policy. The directors currently have no plans for the issue of any shares.

AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the directors to determine their remuneration for the ensuing year will be submitted at the Annual General Meeting.

By order of the Board



Mercury Asset Management

Group Services Ltd

Secretary

16th February 2000

Corporate Governance and Directors' Responsibilities *in respect of the financial statements*

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enables the Company to comply with the Principles of Good Governance and Code of Best Practice ("the Combined Code") prepared by the Committee on Corporate Governance, published in June 1998.

The Company has given 24 clear days' notice convening the Annual General Meeting, rather than the Combined Code recommended 20 business days.

The Board considers that the Company has complied with the provisions contained within the Combined Code throughout this accounting period, except where indicated, and this statement describes how the relevant principles of governance are applied to the Company.

THE BOARD

The Board currently consists of six non-executive directors, the majority of whom are independent of the Company's Investment Manager. Their biographies, on page 23, demonstrate a breadth of investment and business experience, particularly in the mining industry. The structure of the Board is such that it is considered unnecessary to identify a senior non-executive director other than the Chairman. No formal training is given to the directors as they consider it unnecessary.

Mr Lionel Stopford Sackville, who has served three years since being previously re-elected will retire by rotation at the forthcoming Annual General Meeting ("AGM") and offer himself for re-election.

Mr Adam Fleming, who was appointed to the Board on 8th December 1999, will also retire at the forthcoming AGM and offer himself for election.

The Board meets at least five times a year and between these meetings there is regular contact with Mercury Asset Management Ltd ("the Investment Manager"). The directors also have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of removal of the company secretary is a matter for the Board as a whole. Where necessary, in the furtherance of their duties, the directors may seek independent professional advice at the expense of the Company.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the accounts comply with the Companies Act 1985. It is the Board's

Corporate Governance and Directors' Responsibilities continued

responsibility to present a balanced and understandable assessment which extends to interim and other price-sensitive public reports. The Board is also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board has delegated the following areas of responsibility:

Management and administration

The management of the investment portfolio and the administration of the Company has been delegated to the Investment Manager and its subsidiary companies. Custody and settlement services are provided by The Bank of New York Europe Limited ("BNYE"), a subsidiary of The Bank of New York.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 26. The consent of the Chairman of the Board will be sought prior to the Investment Manager voting against incumbent management in respect of any stock held in the portfolio. The Investment Manager reports on any contentious issues at each Board meeting.

The Investment Manager believes that it is important for the mining industry to minimise its impact on the environment. The environmental performance of mining companies is a factor in the stock selection process within the Company's portfolio.

All other matters are reserved for the approval of the Board.

Board Committees

The Board as a whole fulfils the function of the Nomination Committee which meets when necessary to select and propose suitable candidates for appointment.

A separate Audit and Management Engagement Committee has been established, which consists solely of those directors who are not employed by, or are not former employees of, the Investment Manager or any of its associates or subsidiary companies. This Committee, which has written terms of reference detailing its scope and duties, examines the effectiveness of the control systems, through the internal control report and verbal reports to each meeting, ensuring the risks measured are appropriate, the measurement of the risk and level of control are accurate and sufficient, and any changes since the previous report are identified. The Committee also receives information from the Investment Manager's internal audit and compliance departments and regularly reviews the terms of the investment management and administration contracts. The Committee reviews the scope, results, cost effectiveness, independence and objectivity of the external auditors.

INTERNAL CONTROLS

The Board is responsible for the internal controls of the Company and for reviewing their

Corporate Governance and Directors' Responsibilities continued

effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board continuously reviews the effectiveness of the internal control system. The processes indicated below have been put in place to ensure that the Company complies with the guidance fully for the year ending 31st December 2000.

As part of the Board's responsibility for the internal control system, in conjunction with the Investment Manager, an ongoing process has been established for identifying, evaluating and managing the Company's significant risks. The risks identified, covering financial, operational compliance and risk management, are embedded in the operations of the Investment Manager and BNYE. There is a monitoring and reporting process to review controls put in place to track risks identified, carried out by the Investment Manager's Internal Audit Department. The Investment Manager, encompassing the custodian risks, reports to the Company its review of internal controls formally on a semi-annual basis and verbally at each Audit/Board meeting.

The Investment Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.

The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting. The Investment Manager's evaluation procedure and financial analysis of the companies within the portfolio includes detailed research and appraisal.

The controls and procedures of the Investment Manager are monitored by its internal auditors and compliance department, who report to the Audit Committee. The Audit Committee also receives a report from BNYE on the internal controls of its custodial operations.

To support these controls the Investment Manager has developed a comprehensive framework for recruiting and training staff, which first achieved the Investor in People award in 1995 and has since been re-accredited. The Investment Manager's policies to ensure good practice and integrity are detailed in its compliance manual.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss and relies on the operating controls established by the Investment Manager and BNYE.

Corporate Governance and Directors' Responsibilities *continued*

FINANCIAL STATEMENTS

The Board is also required to ensure that the financial statements give a true and fair view of the affairs of the Company and its subsidiary undertakings as at the end of each financial year and of the profit of the Company and its subsidiary undertakings for that period.

The Board considers that in preparing the financial statements on pages 35 to 49, the Company has used appropriate accounting policies, consistently applied (except as disclosed) and supported by reasonable and prudent judgements and estimates and that all accounting standards that it considers to be applicable have been followed.

The Board believes it is appropriate to adopt the going concern basis in preparing the financial statements, as the assets of the Company consist mainly of securities which are readily realisable.

RELATIONS WITH SHAREHOLDERS

All ordinary shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of the Annual General

Meeting sets out the business of the Meeting and any item not of an entirely routine nature is explained in the directors' report. Separate resolutions are proposed for substantive issues. In addition, a presentation by the Investment Manager, which reviews the Company's activities, has become a regular feature of the Annual General Meeting, where both the Board and representatives of the Investment Manager are available to answer shareholders' queries. Proxy voting figures are announced to the shareholders at the Annual General Meeting.

The Investment Manager holds regular discussions with shareholders, the feedback from which is greatly valued by the Board. In addition, the Chairman and directors are available to enter into dialogue and correspondence with shareholders regarding the progress and performance of the Company. There is a section within the Company's annual report entitled "Shareholder Information" which provides an overview of useful information available to shareholders.

MEMBERSHIP OF THE BOARD COMMITTEES

Audit and Management Engagement Committee

Lionel Stopford Sackville (Chairman)

Andrew Buxton

Adam Fleming

Peter Wilmot-Sitwell

Lord Vinson, LVO, DL

Nomination Committee

Peter Wilmot-Sitwell (Chairman)

Julian Baring

Andrew Buxton

Adam Fleming

Lionel Stopford Sackville

Lord Vinson, LVO, DL

Report of the Auditors

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to the members of Mercury World Mining Trust plc

We have audited the financial statements on pages 35 to 49, which have been prepared under the historical cost convention, as modified by the revaluation of investments, and on the basis of the accounting policies set out on pages 38 and 39.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the annual report. As described on page 32, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

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

We review whether the statement on pages 29 to 32 reflects the Company's compliance with

the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not.

We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

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

We planned and performed our audit so as to obtain all the information and explanations

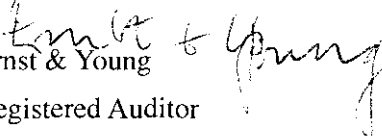
Report of the Auditors *continued*

to the members of Mercury World Mining Trust plc

which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 1999 and of the revenue of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young

Registered Auditor

London

16th February 2000

Consolidated Revenue Account & Statement of Total Return *for the year ended 31st December 1999*

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	Note	Revenue 1999 £'000	Revenue 1998 £'000	Capital 1999 £'000	Capital 1998 £'000	Total 1999 £'000	Total 1998 £'000
Gains/(losses) on investments	11	–	–	114,775	(57,490)	114,775	(57,490)
Income	2	6,542	11,442	–	–	6,542	11,442
Investment management fees	3	(2,147)	(2,578)	–	–	(2,147)	(2,578)
Operating expenses	4	(560)	(615)	–	–	(560)	(615)
Net return before finance costs and taxation		3,835	8,249	114,775	(57,490)	118,610	(49,241)
Interest payable and similar charges	6	(1,027)	(1,787)	–	–	(1,027)	(1,787)
Return on ordinary activities before taxation		2,808	6,462	114,775	(57,490)	117,583	(51,028)
Taxation on ordinary activities	7	(570)	(843)	–	245	(570)	(598)
Return on ordinary activities after taxation		2,238	5,619	114,775	(57,245)	117,013	(51,626)
Dividends in respect of equity shares	8	(2,218)*	(5,010)	–	–	(2,218)	(5,010)
Transfer to/(from) reserves		20	609	114,775	(57,245)	114,795	(56,636)
Consolidated return per ordinary share	9	1.00p	1.43p	51.02p	(14.53p)	52.02p	(13.10p)
Dividends per ordinary share	8	1.20p	2.35p	–	–	1.20p	2.35p

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

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

No operations were acquired or discontinued in the year.

* Based upon the number of shares in issue on 16th February 2000.

The notes on pages 38 to 49 form part of these financial statements.

Balance Sheets

as at 31st December 1999

	Note	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Fixed assets					
Investments at valuation	10	249,412	250,251	223,446	224,082
Current assets					
Investments of subsidiary undertakings	13	1,880	–	–	–
Debtors	14	359	335	1,657	1,690
Cash at bank	15	–	–	11,995	11,349
		2,239	335	13,652	13,039
Creditors – amounts falling due within one year					
Bank overdraft	15	24,918	23,938	–	–
Other creditors	16	3,307	3,222	6,665	6,688
		28,225	27,160	6,665	6,688
Net current (liabilities)/assets		(25,986)	(26,825)	6,987	6,351
Total assets less current liabilities		223,426	223,426	230,433	230,433
Provision for liabilities and charges	18	29	29	149	149
Net assets		223,397	223,397	230,284	230,284
Capital and reserves					
Share capital	19	9,548	9,548	94,497	94,497
Share premium	20	–	–	157,633	157,633
Capital redemption reserve	20	21,371	21,371	12,019	12,019
Other capital reserves	20	(40,319)	(40,980)	(155,094)	(155,958)
		(9,400)	(10,061)	109,055	108,191
Special reserve	21	229,974	229,974	118,426	118,426
Revenue reserve	21	2,823	3,484	2,803	3,667
Total equity shareholders' funds	22	223,397	223,397	230,284	230,284
Net asset value per ordinary share	9	116.99p	116.99p	60.92p	60.92p

The financial statements on pages 35 to 49 were approved by the Board of Directors on 16th February 2000 and signed on its behalf by Mr P S Wilmot-Sitwell, Chairman.



Consolidated Cash Flow Statement

for the year ended 31st December 1999

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	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	4	1,672	6,329
Returns on investment and servicing of finance			
Interest paid on bank loan and overdraft facility		(1,027)	(1,787)
Taxation refunded		938	2,413
Capital expenditure and financial investment			
Purchase of fixed asset investments		(66,815)	(107,309)
Proceeds from the sale of fixed asset investments		155,996	153,522
Exchange loss on foreign currency transactions		(295)	(120)
Net cash inflow for capital expenditure and financial investment		88,886	46,093
Equity dividends paid		(5,010)	(3,622)
Net cash inflow before financing		85,459	49,426
Financing			
Purchase of ordinary shares		(121,682)	(30,797)
Continuation and share tender costs		(690)	(80)
Net cash outflow from financing		(122,372)	(30,877)
(Decrease)/increase in cash in the period	15	(36,913)	18,549

Notes to the Financial Statements

for the year ended 31st December 1999

I. ACCOUNTING POLICIES

(i) Basis of preparation

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments and are in accordance with section 230 of, and schedule 4 to, the Companies Act 1985 and with applicable accounting standards and the Statement of Recommended Practice, Financial Statements of Investment Trust Companies ("SORP").

(ii) Income and expenditure

Income from equity investments, including taxes deducted at source and imputed tax credits, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Where the Company elects to receive dividends in the form of additional shares rather than cash, the equivalent of the cash dividend is recognised as income in the revenue statement and any excess in value of the shares received over the amount of the cash dividend is recognised in capital reserves. Interest income and expenses are accounted for on an accruals basis. All expenses are charged to the revenue statement.

(iii) Finance costs

Finance costs are accounted for on an accruals basis and are charged wholly to the revenue statement.

(iv) Investments

Listed investments are valued at closing middle-market prices on recognised stock exchanges ruling on the balance sheet date. Investments held by the subsidiary undertakings are carried at the lower of cost or net realisable value. Unlisted investments are valued by the directors taking account of latest dealing prices, professional valuations and other available accounting information as appropriate.

(v) Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments
- realised exchange differences of a capital nature
- expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies
- realised exchange differences or valuation changes on transactions undertaken to hedge an exposure of a capital nature.

(vi) Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end
- unrealised exchange differences of a capital nature
- unrealised exchange differences or valuation changes on transactions undertaken to hedge an exposure of a capital nature.

(vii) Profits and losses in subsidiary undertakings

Profits and losses arising from investment dealing are dealt with in the revenue statement.

(viii) Foreign currency translation

All transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Exchange differences arising on the revaluation of investments held as fixed assets are included in unrealised appreciation on investments. Exchange differences arising on the translation of foreign currency assets and liabilities are taken to capital reserves – realised; such differences in the subsidiary undertakings are taken to the revenue statement.

(ix) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Notes to the Financial Statements continued

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for the year ended 31st December 1999

(x) Loss of investment company status

The Company is not an investment company within the meaning of section 266 of the Companies Act 1985. However it has continued to conduct its affairs as an investment trust for taxation purposes under section 842 of the Income and Corporation Taxes Act 1988, and the Articles of Association of the Company prohibit capital profits from being distributed by way of dividend. As such, the directors consider it necessary to continue to present the accounts in accordance with the SORP. Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column is the profit and loss account of the Company. The revenue column excludes certain capital items totalling £114,775,000 (1998: loss of £57,245,000) which, since the Company is no longer an investment company, the Companies Act and/or FRS3 would ordinarily require to be included in the profit and loss account. In the opinion of the directors the inclusion of these items in the profit and loss account would be misleading because they would obscure and distort both the revenue and capital performance of the Company and would not show clearly the revenue profits emerging to be distributable by way of dividend. The directors therefore consider that these departures from the specific provisions of schedule 4 of the Companies Act relating to the form and content of accounts for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

2. INCOME

	1999 £'000	1998 £'000
Income from investments:		
Dividends:		
UK listed	447	533
Overseas listed	5,732	10,435
	6,179	10,968
Interest receivable and other income:		
Deposit interest	69	202
Underwriting commission	–	47
Stock lending interest	–	103
Profit on investment dealing by subsidiary undertakings	292	–
Other interest	2	122
	363	474
Total income	6,542	11,442

Notes to the Financial Statements continued

for the year ended 31st December 1999

3. INVESTMENT MANAGEMENT FEES

	1999 £'000	1998 £'000
Investment management fees	2,056	2,498
Irrecoverable VAT thereon	91	80
	<u>2,147</u>	<u>2,578</u>

The investment management fee is levied quarterly, based on the value of the gross assets on the last day of each quarter.

4. OPERATING ACTIVITIES

	1999 £'000	1998 £'000
(a) Operating expenses		
Custody fee	207	250
Administration fee	122	147
Auditors' remuneration:		
– audit services	17	17
– taxation and other services	23	28
Registrars' fee	36	41
Directors' emoluments	58	65
Other administrative costs	97	67
	<u>560</u>	<u>615</u>

The Company's total expense ratio ("TER") calculated as a percentage of average net assets and using expenses, excluding interest costs, after relief for taxation was:

1.00%	0.82%
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(b) Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	3,835	8,249
Net purchases of investments by subsidiary undertakings	(1,588)	–
Decrease/(increase) in accrued income	503	(98)
Decrease in debtors	45	114
Increase/(decrease) in creditors	48	(287)
Tax on investment income included within gross income	(879)	(1,649)
Profit on investment dealing by subsidiary undertakings	(292)	–
Net cash inflow from operating activities	<u>1,672</u>	<u>6,329</u>

Notes to the Financial Statements continued

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for the year ended 31st December 1999

5. DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors, excluding VAT, where applicable, for the year to 31st December 1999 were £58,000 (1998: £65,000). The emoluments of the Chairman, who was also the highest paid director, were £15,000 (1998: £15,000).

The Company does not have a share option scheme or any incentive scheme. No pension contributions were made in respect of the directors. There were no employees other than the directors.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
Bank loan and overdrafts repayable within one year	1,027	1,787

7. TAXATION ON ORDINARY ACTIVITIES

	Note	1999			1998		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax at 30.25% (1998: 31%)		805	–	805	1,809	(245)	1,564
Foreign withholding tax		–	–	–	513		513
Tax credits on franked investment income		45	–	45	–	–	–
Deferred taxation	18	(120)	–	(120)	(9)	–	(9)
		730	–	730	2,313	(245)	2,068
Double taxation relief		–	–	–	(513)	–	(513)
Recoverable ACT		(117)	–	(117)	(926)	–	(926)
Prior year adjustments		(43)	–	(43)	(31)	–	(31)
		570	–	570	843	(245)	598

8. DIVIDENDS

	1999 £'000	1998 £'000
Dividends paid on equity shares:		
Proposed final dividend of 1.20p (1998: interim of 1.20p)	2,218	2,558
Special dividend of nil (1998: 1.15p)	–	2,452
Total dividend for the year of 1.20p (1998: 2.35p) per share	2,218	5,010

Notes to the Financial Statements *continued*

for the year ended 31st December 1999

9. CONSOLIDATED RETURN AND NET ASSET VALUE PER ORDINARY SHARE

Revenue and capital returns per share are shown below and have been calculated using the following:

	1999			1998		
Net revenue attributable to shareholders after taxation	£2,238,000			£5,619,000		
Net capital gains/(losses)	£114,775,000			£(57,245,000)		
Weighted average number of shares in issue during the year	224,955,622			394,013,337		
Actual number of shares in issue at the year end	190,949,852			377,986,066		
	1999			1998		
	Revenue	Capital	Total	Revenue	Capital	Total
	P	P	P	P	P	P
Group and Company						
Basic	1.00	51.02	52.02	1.43	(14.53)	(13.10)

The net asset value per share of 116.99p (1998: 60.92p) was calculated by dividing equity shareholders' funds of £223,397,000 (1998: £230,284,000) by the number of ordinary shares in issue at the year end.

10. INVESTMENTS AT VALUATION

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
UK listed	21,580	21,580	11,636	11,636
Overseas listed	227,832	227,832	211,810	211,810
Unlisted at directors' valuation	—	839	—	636
	249,412	250,251	223,446	224,082
Opening valuation of investments	223,446	224,082	324,890	325,715
Opening unrealised depreciation	112,085	112,949	97,716	98,391
Opening cost of investments	335,531	337,031	422,606	424,106
Additions, at cost	66,815	66,815	106,728	106,728
Disposals, at cost	(186,032)	(186,032)	(193,803)	(193,803)
Closing cost of investments	216,314	217,814	335,531	337,031
Closing unrealised appreciation/(depreciation)	33,098	32,437	(112,085)	(112,949)
Closing valuation of equity investments	249,412	250,251	223,446	224,082

Notes to the Financial Statements continued

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for the year ended 31st December 1999

11. GAINS AND LOSSES ON INVESTMENTS

	Note	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Realised losses on sales		(30,408)	(30,408)	(43,121)	(43,121)
Increase in unrealised appreciation/(depreciation)	20	145,183	145,386	(14,369)	(14,558)
		114,775	114,978	(57,490)	(57,679)

12. STOCK LENDING

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Aggregate value of securities on loan at year end	—	—	—	—
Maximum aggregate value of securities on loan during the year	—	—	25,048	25,048
Fee income (gross) from stock lending during the year	—	—	103	103

The Group did not engage in any stock lending activities during the year.

13. INVESTMENTS OF SUBSIDIARY UNDERTAKINGS

	1999 £'000	1998 £'000
Overseas listed	74	—
Gold bullion	1,806	—
	1,880	—

14. DEBTORS

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Sales for future settlement	—	—	77	77
Taxation recoverable	276	252	937	972
Prepayments and accrued income	83	83	643	641
	359	335	1,657	1,690

Notes to the Financial Statements continued

for the year ended 31st December 1999

15. MOVEMENTS IN NET FUNDS

	1999 £'000	1998 £'000	
(a) Reconciliation of net cash flow to movements in net funds			
Net funds at 1st January	11,995	(6,554)	
(Decrease)/increase in cash in the period	(36,913)	18,549	
At 31st December	(24,918)	11,995	
	At 1st January 1999 £'000	Cash Flows £'000	At 31st December 1999 £'000
(b) Analysis of changes in net funds			
Cash at bank	11,995	(11,995)	-
Overdrafts	-	(24,918)	(24,918)
Total	11,995	(36,913)	(24,918)

16. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1999 £'000	Company 1999 £'000	Group 1998 £'000	Company 1998 £'000
Taxation payable	85	-	9	32
Accrued expenditure	1,004	1,004	1,646	1,646
Proposed final dividend	2,218	2,218	5,010	5,010
	3,307	3,222	6,665	6,688

17. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Background

The Group's financial instruments, other than derivatives, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlements and debtors for accrued income. The numerical disclosures below exclude short term debtors and creditors.

The Group has little exposure to credit and cash flow risk. Unquoted investments in the portfolio are subject to liquidity risk. This risk is taken into account by the directors when arriving at their valuation of these items.

The principal risks the Group faces in its portfolio management activities are:

- foreign currency risk
- interest rate risk
- market price risks i.e. movements in the value of investment holdings caused by factors other than interest rate or currency movements.

Notes to the Financial Statements continued

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for the year ended 31st December 1999

17. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS continued

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

Policy

(i) Foreign Currency Risk

A substantial proportion of the Group's portfolio is invested in overseas securities and their sterling value can be significantly affected by movements in foreign exchange rates. The Group does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions.

(ii) Interest Rate Risk

The Group's financing facilities currently are all of an overdraft nature. The Group is therefore exposed to short term fluctuations in interest rates.

(iii) Market Price Risk

By the very nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Investment Manager's report.

(iv) Use of Derivatives

It is generally not the Group's policy to enter into derivative contracts other than for the purposes of hedging against price movements in the value of the portfolio or interest rate exposures.

Financial assets

Financial assets are included in the balance sheet at market values, which represent fair values. The currency denomination of the Group's investment portfolio is set out below.

	£'000
South African Rand	83,551
US Dollar	32,160
Australian Dollar	28,098
Canadian Dollar	26,542
Sterling	21,605
Currencies connected to the Euro	13,354
Other	45,982
	<hr/> 251,292

Financial liabilities

The Group's principal financial liability consists of short term overdraft facilities, which at the year end amounted to £24,918,000. The currency composition and interest rates charged at the year end are set out below.

	£'000	Interest rate p.a.
Sterling	22,433	6.50%
US Dollar	2,485	7.25%
	<hr/> 24,918	

Notes to the Financial Statements *continued*

for the year ended 31st December 1999

17. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS *continued*

Currency exposure

The currency denomination of the Group's financial assets and liabilities is shown above. Short term debtors and creditors, which are excluded, are predominantly denominated in sterling, which is the functional currency of the Group.

Primary financial instruments

Financial assets are included in the balance sheet at market values, which represent fair values. Investments at valuation consist wholly of equity investments.

Gold options

During the year option contracts have been written in respect of the Group's holdings of gold bullion. All of these contracts (including those maturing after the year end) have expired unexercised.

18. PROVISION FOR LIABILITIES AND CHARGES

	Group and Company 1999 £'000	Group and Company 1998 £'000
Deferred taxation in respect of ACT recoverable/timing differences		
At 1st January	149	56
Transfer during the year	(120)	(9)
	29	47
ACT payable	–	102
At 31st December	29	149

There is no material amount of unprovided deferred tax.

19. SHARE CAPITAL

	Nominal 1999 No. '000	Company 1999 £'000	Nominal 1998 No. '000	Company 1998 £'000
Authorised:				
Ordinary shares of 25p each	–	–	377,986	94,497
Ordinary shares of 5p each	750,000	37,500	372,014	18,601
Ordinary shares of 5p each (1998: 25p each), issued and allotted, called up and fully paid:				
At 1st January	377,986	94,497	426,067	106,516
Transfer to special reserve	–	(75,597)	–	–
Shares purchased and cancelled through the tender offer	(164,777)	(8,239)	–	–
Other shares purchased and cancelled during the year	(22,260)	(1,113)	(48,081)	(12,019)
At 31st December	190,949	9,548	377,986	94,497

Notes to the Financial Statements continued

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for the year ended 31st December 1999

19. SHARE CAPITAL continued

On 27th January 1999 the Company received Court approval to reduce the nominal value of each ordinary share in issue from 25p to 5p, and transfer £75,597,000 to special reserve. The Court also approved the transfer of the balance of share premium to special reserve.

The share tender offer resulted in 164,776,700 shares being tendered for cancellation at 97% of the attributable net asset value on 18th February 1999. The total amount paid to shareholders was £104,271,000. During the year, a further 22,260,000 shares were purchased and cancelled. The cost of the purchase of these shares was charged to the special reserve (note 21). Since the year end, a further 6,100,000 ordinary shares have been purchased and cancelled up to 14th February 2000.

20. NON DISTRIBUTABLE RESERVES - COMPANY

	Share Premium £'000	Capital Redemption Reserve Fund £'000	Capital Reserve – Realised £'000	Capital Reserve – Unrealised £'000
At 1st January 1999	157,633	12,019	(43,009)	(112,949)
Transfer to special reserve	(157,633)	–	–	–
Shares purchased and cancelled through the tender offer	–	8,239	–	–
Other shares purchased and cancelled during the year	–	1,113	–	–
Losses on foreign currency transactions	–	–	(295)	–
Losses on realisation of investments during the year	–	–	(30,113)	–
Increase in unrealised appreciation	–	–	–	145,386
At 31st December 1999	–	21,371	(73,417)	32,437

- GROUP

	Share Premium £'000	Capital Redemption Reserve Fund £'000	Capital Reserve – Realised £'000	Capital Reserve – Unrealised £'000
At 1st January 1999	157,633	12,019	(43,009)	(112,085)
Transfer to special reserve	(157,633)	–	–	–
Shares purchased and cancelled through the tender offer	–	8,239	–	–
Other shares purchased and cancelled during the year	–	1,113	–	–
Losses on foreign currency transactions	–	–	(295)	–
Losses on realisations of investments during the year	–	–	(30,113)	–
Increase in unrealised appreciation	–	–	–	145,183
At 31st December 1999	–	21,371	(73,417)	33,098

Notes to the Financial Statements continued

for the year ended 31st December 1999

21. DISTRIBUTABLE RESERVES

	Group £'000	Company £'000
Special reserve		
At 1st January 1999	118,426	118,426
Transfer from share capital	75,597	75,597
Transfer from share premium	157,633	157,633
Shares purchased and cancelled through the tender offer	(104,271)	(104,271)
Other shares purchased and cancelled during the year	(16,863)	(16,863)
Other costs associated with share repurchases	(548)	(548)
At 31st December 1999	229,974	229,974
Revenue reserve		
At 1st January 1999	2,803	3,667
Surplus/(deficit) for the year	20	(183)
At 31st December 1999	2,823	3,484

The net revenue before distributions dealt with in the accounts of the parent company was £2,035,000 (1998: £5,808,000). As permitted under section 230 of the Companies Act 1985, the revenue statement of the parent company is not presented as part of these financial statements.

22. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Distributable £'000	Non- distributable £'000	Total £'000
At 1st January 1999	121,229	109,055	230,284
Transfer from share capital	75,597	(75,597)	–
Transfer from share premium	157,633	(157,633)	–
Net gains on investments for the year	–	114,775	114,775
Purchase of ordinary shares	(121,134)	–	(121,134)
Other costs associated with share repurchases	(548)	–	(548)
Revenue profits available for distribution	2,238	–	2,238
Dividends proposed	(2,218)	–	(2,218)
At 31st December 1999	232,797	(9,400)	223,397

Notes to the Financial Statements *continued*

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for the year ended 31st December 1999

23. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

At 31st December 1999, the Company had two wholly-owned subsidiary undertakings, both of which are registered and operating in England and Wales.

	Description of Shares	Issued Ordinary Share Capital		Principal Activity
		1999	1998	
Mercury Gold Limited	Ordinary shares of £1 each	£2	£2	Investment dealing
World Mining Investment Company Limited	Ordinary shares of £1 each	£100	£100	Investment dealing

The Company's investment in its subsidiary undertakings was valued by the directors at £839,000 (1998: £636,000).

24. CONTINGENT LIABILITIES

There were no contingent liabilities at 31st December 1999 (1998: nil).

Analysis of Ordinary Shareholders

31st December 1999

BY TYPE OF HOLDER

	No. of Shares		% of Total		No. of Holders		% of Total	
	1999	1998	1999	1998	1999	1998	1999	1998
Direct private investors	11,775,825		6.2	4.0	4,068		83.8	80.5
Nominee companies	170,806,524		89.4	85.7	596		12.3	16.8
Others	8,367,503		4.4	10.3	189		3.9	2.7
	190,949,852		100.0	100.0	4,853		100.0	100.0

BY SIZE OF HOLDING

	No. of Shares		% of Total		No. of Holders		% of Total	
	1999	1998	1999	1998	1999	1998	1999	1998
1-10,000	11,218,635		5.9	3.9	4,342		89.5	87.8
10,001-100,000	10,724,033		5.6	4.1	342		7.0	7.7
100,001-1,000,000	38,750,594		20.3	18.5	134		2.8	3.6
1,000,001-5,000,000	51,530,380		27.0	25.1	25		0.5	0.7
Over 5,000,000	78,726,210		41.2	48.4	10		0.2	0.2
	190,949,852		100.0	100.0	4,853		100.0	100.0

Base Costs

15th December 1993

The base costs for UK taxpayers who invested in the Company on its launch on 15th December 1993 (capitals gains tax prices on the first day of dealing), are as follows:

Ordinary shares (per share)	92.11p
Warrants (per warrant)	39.47p

These figures have not been approved by the Inland Revenue and are subject to its agreement with investors on a case-by-case basis. The warrants expired on 30th April 1998, at which date the price of the Company's shares quoted on the London Stock Exchange was significantly below the exercise price of 100p. Warrant holders may have an allowable capital loss in respect of their holding of warrants and are recommended to consult their professional advisers.

Management and Administration

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REGISTERED OFFICE

(Registered in England, No. 2868209)
33 King William Street
London EC4R 9AS

INVESTMENT MANAGER

Mercury Asset Management Ltd
33 King William Street
London EC4R 9AS
Regulated by IMRO

SECRETARY AND ADMINISTRATOR

Mercury Asset Management Group
Services Ltd
33 King William Street
London EC4R 9AS
Telephone No: 020 7280 2800

REGISTRARS

Computershare Services PLC
PO Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR
Regulated by IMRO
Telephone No: 0870 702 0010

SAVINGS PLAN AND ISA ADMINISTRATOR

The Mercury Investment Trust
Administrator
c/o The Bank of New York Europe Limited
33 King William Street
London EC4R 9AS
Telephone No: 0800 445522

STOCKBROKERS

Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

Warburg Dillon Read
1 Finsbury Avenue
London EC2M 2PP

SOLICITORS

Simmons & Simmons
21 Wilson Street
London EC2M 2TX

CUSTODIAN

The Bank of New York Europe Limited
67 Lombard Street
London EC3P 3DL

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Shareholder Information continued

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

DURATION OF THE COMPANY

Shareholders are given an opportunity at each Annual General Meeting to vote on an ordinary resolution to continue the life of the Company for a further twelve months.

NOMINEE CODE

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available;
- that investors in the Mercury Investment Trusts Savings Plan are automatically sent shareholder communications, including details of general meetings, together with a form of direction to facilitate voting and to seek authority to attend; and
- that investors through the Mercury ISA are able to receive the annual and interim

reports, including details of annual general meetings, by request.

PUBLICATION OF NET ASSET VALUE/PORTFOLIO ANALYSIS

The net asset value per share of the Company is calculated daily, with details of the sector analysis of the Company's investments and the ten largest holdings usually being published monthly.

The daily net asset value per share and monthly information are released through the Company Announcements Office of the London Stock Exchange and are available through the Reuters News Service under the code "MAMINDEX", on page 8800 on Topic 3 (ICV) and under "MAMI" on Bloomberg (monthly information only).

INTERNET

Details about the Company are also available on the Mercury website at www.mam.com and shareholders can check details of their holdings on Computershare's website at www.cshare.co.uk.

SAVINGS PLAN

The Company participates in the Mercury Investment Trust Savings Plan which facilitates both regular monthly investment and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like a brochure giving details of the Savings Plan should call Mercury Asset Management Ltd free on 0800 445522.

Shareholder Information continued

INDIVIDUAL SAVINGS ACCOUNTS ("ISA")

The Company is a qualifying investment for the purposes of investment in the stocks and shares component of either a mini or maxi ISA. In the tax year 1999/2000 investors may invest up to £7,000 in the stocks and shares component of a maxi ISA, reducing to £5,000 in subsequent tax years, or up to £3,000 in the stocks and shares component of a mini ISA.

The Company's shares are eligible investments within the stocks and shares component of the Mercury Investment Trust ISA, details of which are available from Mercury by calling free on 0800 445522.

SHAREHOLDER ENQUIRIES

The Company's registrars are Computershare Services PLC. In the event of queries regarding your holding of shares, please contact the registrar on 0870 702 0010. Changes of name or address must be notified in writing to the registrars at:

Computershare Services PLC
PO Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Certain details relating to your holding can also be checked through the Computershare website. As a security check, certain details need to be input accurately to gain access to an individual's account. These include your folio number available from either your share certificate or tax voucher. The address of the Computershare website is www.cshare.co.uk.

GENERAL ENQUIRIES OR SAVINGS PLAN OR ISA ENQUIRIES

Enquiries about the Company, or the Company's Savings Plan or ISA should be directed to:

The Secretary
Mercury World Mining Trust plc
33 King William Street
London EC4R 9AS

Telephone No: 0800 445522

Notice of Annual General Meeting

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Notice is hereby given that the sixth Annual General Meeting of Mercury World Mining Trust plc will be held at Stationers' Hall, Ave Maria Lane, London EC4M 7DD on Wednesday, 22nd March 2000 at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the report of the directors and the financial statements for the year ended 31st December 1999, together with the report of the auditors thereon.
2. To declare a final dividend of 1.20p per ordinary share.
3. To re-elect Mr L G Stopford Sackville as a director.
4. To elect Mr A R Fleming as a director.
5. To reappoint Ernst & Young as auditors to the Company.
6. To authorise the directors to determine the auditors' remuneration.

SPECIAL BUSINESS – ORDINARY RESOLUTION

7. That the Company shall continue in being as an investment trust.

SPECIAL BUSINESS – SPECIAL RESOLUTIONS

8. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 5p in the Company ("ordinary shares"), the Company be and it

is hereby authorised in accordance with section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of section 163 of the Act) of ordinary shares provided that:

- (i) the maximum number of ordinary shares hereby authorised to be purchased is 27,700,000;
 - (ii) the minimum price which may be paid for an ordinary share shall be 5p;
 - (iii) the maximum price which may be paid for an ordinary share shall be the lower of 5% above the average of the market values of the ordinary shares for the 5 business days immediately preceding the date of the purchase and the net asset value per ordinary share on the date of the purchase; and
 - (iv) unless renewed, the authority hereby conferred shall expire on 21st September 2001 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.
9. That the Company's Articles of Association be and are hereby amended by:
 - (i) deleting in article 133 the last sentence thereof and substituting therefor the following sentence:

"The distribution (within the meaning of section 266(2)(c) of the Companies Act

Notice of Annual General Meeting continued

1985) of the Company's capital profits shall be prohibited (except for the purposes of the redemption or purchase of any of the Company's own shares in accordance with section 160 or 162 of the Companies Act 1985)."; and

- (ii) deleting in article 146 the last sentence thereof and substituting therefor the following sentence:

"All sums carried and standing to the Capital Reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable, except and provided that notwithstanding any other provision of these Articles no part thereof representing surpluses arising from the sale or realisation of any of the Company's investments or any other money in the nature of an accretion to capital or any other capital profit shall be transferred to the revenue reserves of the Company or be regarded or treated as profits of the Company available for distribution (except for the purposes of the redemption or purchase of any of the Company's own shares in accordance with section 160 or 162 of the Companies Act 1985)."

10. That the directors be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined in section 94 of the Act) of the Company for cash in

accordance with the authority conferred on them for the purposes of section 80 of the Act by the resolution passed at the Extraordinary General Meeting held on 9th December 1998 to allot relevant securities (as defined in section 80 of the Act) as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (i) which are, or are to be, wholly paid up in cash up to an aggregate nominal value of £460,000 at a price of not less than net asset value per ordinary share as at the most recent practicable date, as determined by the directors; and
- (ii) (otherwise than pursuant to sub-paragraph (i) above) in connection with issues by way of rights in favour of all holders of ordinary shares where the equity securities respectively attributable to the interests of all such holders are either proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them or are otherwise allotted in accordance with the rights conferred on such equity securities (but subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever);

Notice of Annual General Meeting continued

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and shall expire on 8th December 2003, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.

By order of the Board



Mercury Asset Management Group

Services Ltd

Secretary

16th February 2000

Registered Office:

33 King William Street

London EC4R 9AS

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Proxies must reach the office of the Company's registrars in Edinburgh by 2.30 p.m. on 20th March 2000. A form of proxy is provided to shareholders with the annual report. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person.
3. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 2.30 p.m. on 20th March 2000 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
4. No service contracts exist between the Company and any of the directors, who hold office in accordance with letters of appointment and the Articles of Association.

Glossary

NET ASSET VALUE PER SHARE ("NAV")

This is the value of Mercury World Mining Trust plc's assets attributable to one ordinary share. It is calculated by dividing shareholders' funds by the total number of shares in issue. For example, as at 31st December 1999 shareholders' funds were £223,397,000 and there were 190,949,852 ordinary shares in issue; the NAV was therefore 116.99p per share.

Shareholders' funds are calculated by deducting from the Company's total assets, its current and long-term liabilities and any provision for liabilities and charges.

DISCOUNT

Investment trust shares can frequently trade at a discount. This occurs when the share price is less than the NAV and investors may therefore buy

shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price were 80p and the NAV 100p, the discount would be 20%.

PREMIUM

A premium occurs when the share price is more than the NAV and investors therefore would be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price were 120p and the NAV were 110p, the premium would be 9.1%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.