Rutland Trust PLC

1491292

Annual report 1999

Highlights

- Profit before tax £7.8 million (1998: £87.1 million – including £70.0 million net exceptional gains)
- Current pro-forma net asset value per share is 55p before Tender Offer
- Final trading dividend of 1.50p (1998: 1.40p) giving an increase of 8% for the full year
- Acquisition of remaining 61% of Capital Industries PLC for £14.6 million in May 1999
- Sale of Castle Music for £46 million, representing £40 million in net cash on completion for Rutland
- A First Closing of the Rutland Fund announced with commitments of £80 million anticipated to rise above £100 million by the Final Closing
- All Shareholders to be offered the opportunity to realise cash through Tender Offer of £40 million

Rutland Trust PLC

Rutland Trust is currently an investment holding company whose purpose is to add value to businesses by working closely alongside the individual management teams and to seek out further strategic opportunities to enhance shareholder value over the medium term.

Financial highlights

Five year summary		1995	1996	1997	1998	**1999**
Profit before tax (excluding exceptional items)	£m	10.6	12.2	16.3	17.1	**9.5**
Earnings per share (excluding exceptional items)	p	2.75	3.91	4.80	4.55	**2.62**
Trading dividend per share	p	1.2	1.4	1.7	1.9	**2.05**
Profit before tax	£m	12.6	12.2	14.8	87.1	**7.8**
Total shareholders' funds	£m	47.1	68.0	76.4	147.4	**139.0**
Pro-forma net asset value per share	p	31.3	37.6	33.2	50.2	**55.3***

* at 27 March 2000 (prior years at 31 December)

Pro-forma net asset value per share (p)

1995	1996	1997	1998	**1999**
31.3	37.6	33.2	50.2	**55.3**

Trading dividend per share (p)

1995	1996	1997	1998	**1999**
1.2	1.4	1.7	1.9	**2.05**

Chairman's statement

Shareholder value
The proposed Tender Offer of £40 million will enhance pro-forma net asset value per share.

Introduction
My predecessor reported in our 1998 Annual Report that in January 1999 Rutland shareholders had approved strategic proposals to raise the Rutland Fund and to change to investment trust status. The Board believes that the rationale for those proposals is as strong today as it was then. Accordingly, proposals have just been announced to enable a First Closing of the Rutland Fund. Further information is set out below.

Two significant changes to our investment portfolio have taken place during the year. In May 1999 we acquired the remaining 61% of Capital Industries PLC which we did not already hold. We have also announced the conditional agreement to dispose of Castle Music. The Chief Executive's Review sets out further information on those transactions together with a review of the performance of all of our investments during 1999.

Proposed disposal of Castle Music
It was announced on 30 March 2000 that Rutland has entered into a conditional agreement to dispose of Castle Music (which Rutland acquired in July 1998 for £18.0 million, including costs) to The Sanctuary Group PLC ("Sanctuary"), for a value of £46 million. Under the terms of the agreement Rutland will receive £40 million in cash at completion, and the remaining consideration net of expenses will be paid to the Castle executive directors in a mixture of cash and shares in Sanctuary. The disposal is subject to approval by Rutland Shareholders and subject also to the approval of shareholders of Sanctuary. Further information on the background and reasons for the disposal is set out in the Chief Executive's Review on page 4.

Proposed First Closing of the Rutland Fund
In January 1999 Rutland shareholders approved proposals for the formation of the Rutland Fund ("the Fund"), co-investment by Rutland with the Fund and the seeking of investment trust status. The Circular sent to Shareholders at the time described the benefits to Shareholders, which the Board believed these proposals would provide. Those benefits included the ability to make larger and more diverse investments with lower associated risk, taxation benefits and encouraging the appraisal of Rutland by reference to capital gains rather than earnings per share growth. Furthermore, the Board believed that the proposed restructuring would lead to a cost saving to Rutland through the formation of a separate management company.

On the basis of the prevailing market conditions for private equity fund-raising at that time, the Board and Donaldson Lufkin and Jenrette ("DLJ"), the Fund's placement agent, believed that commitments to the Fund could be raised from third party private equity investors up to a maximum of £200 million. However, authority was received from Shareholders to close the Fund with total minimum commitments of £90 million if, in the opinion of the Board, it would be commercially viable. Rutland's commitment to the Fund was to be no more than 50% of the total commitments and in any event not more than £100 million.

As reported to shareholders in the Interim Statement on 29 September 1999, Rutland senior executives have undertaken a series of presentations to appropriate private equity investors under the guidance of DLJ and a core group of leading institutions were successfully identified as potential investors during the latter half of 1999.

Since then, there has been a clear shift in market sentiment amongst private equity investors away from traditional middle-market companies, the focus of the Fund, and towards internet, telecommunications, technology and media opportunities. This change in strategy amongst potential investors has impacted the ability of the Fund to achieve its initial targeted commitments. To date, commitments (subject to final documentation) have been received from a core group of institutions for approximately £80 million. Although this is below the £90 million minimum referred to above, the Board is nevertheless proposing to call a First Closing as soon as is practicable for two main reasons:

- DLJ have recommended that, from the responses they have received, a First Closing would have a positive effect on the continued marketing of the Fund. There are currently a number of identified investors who could take the Fund on a further Closing to over £100 million and a time limit has been set for a Final Closing of not later than nine months after the proposed First Closing.

- The very investment conditions that have taken investor interest away from traditional middle-market companies have added to the large and growing potential for suitable middle-market investment opportunities for the Fund. Your Board's experience of the existing conditions leads it to believe that the opportunities to make successful investments such as Castle are clearly improving. These benefits can be achieved in the short term with the current initial commitments of £80 million.

It is, therefore, the view of the Board that the Fund should hold a First Closing as early as practicable to enable co-investment arrangements to begin at the earliest opportunity. A Circular containing further details of the proposed disposal of Castle

Music, the proposed First Closing of the Fund and incorporating a notice convening an Extraordinary General Meeting of Rutland to approve these transactions will be sent to Rutland Shareholders as soon as is practicable.

Proposed repurchase of shares
In accordance with the Board's previously declared policy of returning the profits of successful transactions to Shareholders, the disposal of Castle would, if approved by Shareholders of Rutland and Sanctuary, provide a potential opportunity to return a significant proportion of Rutland's available cash to Shareholders. In that event, following the First Closing the Board would wish to provide all Shareholders with the opportunity to realise cash through the repurchase of their shares under a Tender offer.

Shareholders will be able to tender all or any of their shares within a range of prices representing discounts of between 25% and 5% to the net asset value of Rutland at a date shortly before the Tender Offer is made ("Formula Asset Value"). For illustrative purposes only, based on the pro-forma net asset value per share on 27 March 2000 of 55p, the tender price range would be between 41p and 52p. All shares repurchased under the Tender Offer will be redeemed at a single strike price.

The Board anticipates that the total funds available under the Tender Offer will be £40 million. The Strike Price would be a price in pence which represents the widest discount to Formula Asset Value at which valid tenders are received in respect of shares up to a total value of £40 million. If necessary, tenders at the Strike Price will be scaled back pro-rata so that the amount redeemed does not exceed this value.

The cash required for satisfaction of successful tenders under the Tender Offer would be met from existing cash resources. The effect of the Tender Offer will be to leave Rutland with cash resources of approximately £70 million. Commitments by Rutland to the Rutland Partnership, which will be not less than £80 million and not more than £100 million, will be funded out of these cash resources and, if necessary, through a new bank facility of up to £35 million arranged on a standby basis.

The proposed Tender Offer will be the subject of a subsequent Circular which will be sent to Shareholders following the completion of the disposal of Castle and First Closing of the Rutland Fund. That Circular will set out the valuation basis and valuation date for calculation of the Formula Asset Value as well as a detailed timetable and instructions for participation in the Tender Offer.

Trading results
Our 1999 results show a profit before tax of £7.8 million (1998: £87.1 million) including exceptional costs of £1.7 million (1998: net gains £70.0 million), and earnings per share were 2.05p (1998: 22.40p). The Board has declared a final dividend of 1.50p (1998: 1.40p) making a total dividend for the year of 2.05p (1998: 1.90p), an increase of 8%.

Balance sheet and cash flow
At 31 December 1999, the Group's net assets were £139.0 million. The acquisition of Capital Industries, which is now consolidated as a subsidiary, has contributed to the change in the Group's balance sheet on a line by line basis compared with 31 December 1998. The net cash outflow during the period was £35 million, which included £15 million on the acquisition of Capital Industries and £8 million to finance the buy back of shares in September 1999. At 31 December 1999, the Group had cash resources of £71 million in addition to £15 million in bank guaranteed loan notes. The Group's borrowings totalled £37 million of which £33 million debt was attributable to Capital Industries.

Investment Trust valuation
In anticipation of the conversion of Rutland into an Investment Trust the Board believes that net asset value per share is the most appropriate method of valuation of the Company at this time. The pro-forma net asset value of Rutland Trust at 27 March 2000, incorporating Investment Trust accounting principles, is approximately 55p and is set out in Note 36 to these financial statements.

Dividends and purchase of shares
We increased our interim trading dividend from 0.50p to 0.55p and in light of the strong financial position of the Company the Board has declared an increase in the final trading dividend from 1.40p to 1.50p, making a total dividend for the year of 2.05p (1998: 1.90p), an increase of 8%. The final dividend will, if approved, be paid on 19 May 2000 to shareholders on the register at the close of business on 14 April 2000.

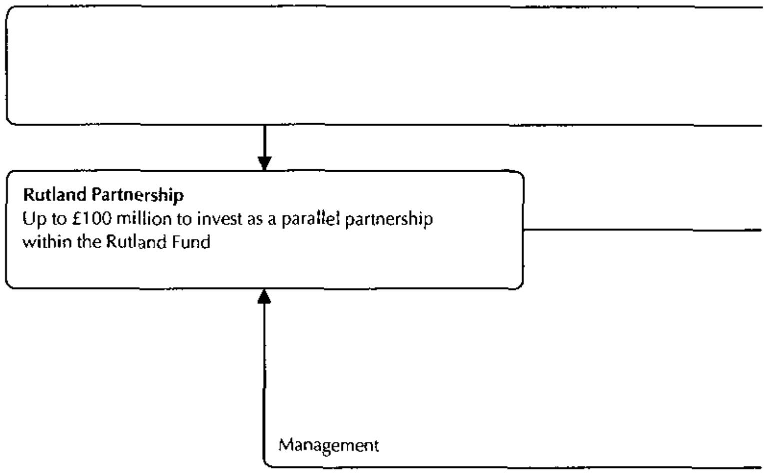
In September 1999 the Company purchased for cancellation 20.2 million shares in the market at 41p per share for a total cost of £8.3 million. This share buy back procedure was carried out in accordance with the policy set out in our 1998 Annual Report, that of returning value direct to Shareholders and enhancing prospective net asset value per share.

Board changes
I was delighted to be invited to join the Rutland Board in October 1999 and subsequently to take over as non-executive Chairman on 1 January 2000 on the retirement of Sir Raymond Lygo. Sir Raymond has retired from Rutland handing over a position of considerable financial strength and the Board is extremely grateful for his outstanding contribution over the period of his successful Chairmanship.

Oliver Stocken
Chairman
March 2000

Chief Executive's review

Proposed new structure



Investment success
The sale of Castle represents another successful transaction for Rutland. The proposed First Closing of the Rutland Fund will enable us to take advantage of current investment opportunities.

Introduction
1999 was a period of consolidation in which the executive management has been focused on three main projects – marketing for the private equity based Rutland Fund, the acquisition of the remaining 61% of Capital Industries PLC and the development and subsequent disposal of Castle Music.

Acquisition of Capital Industries PLC
Capital Industries (CI) had been a 39% owned associated company of Rutland before the acquisition in the market of a further 10% interest in March 1999. This was followed in May by a final offer for the remaining 51% equity at a price of 47p per share. As a result, Rutland successfully acquired the entire equity and preference share capital of CI that it did not own at the start of the year for an additional consideration of £14.6 million.

Rutland's offer was in response to the Board's belief that Rutland could deliver value by addressing directly the various organisational and operational problems that had clearly been inadequately managed in the past. These issues had become increasingly exposed by the impact on CI's core self-adhesive labels business of tightening selling prices and the strength of sterling, together with a significant increase in bank borrowings.

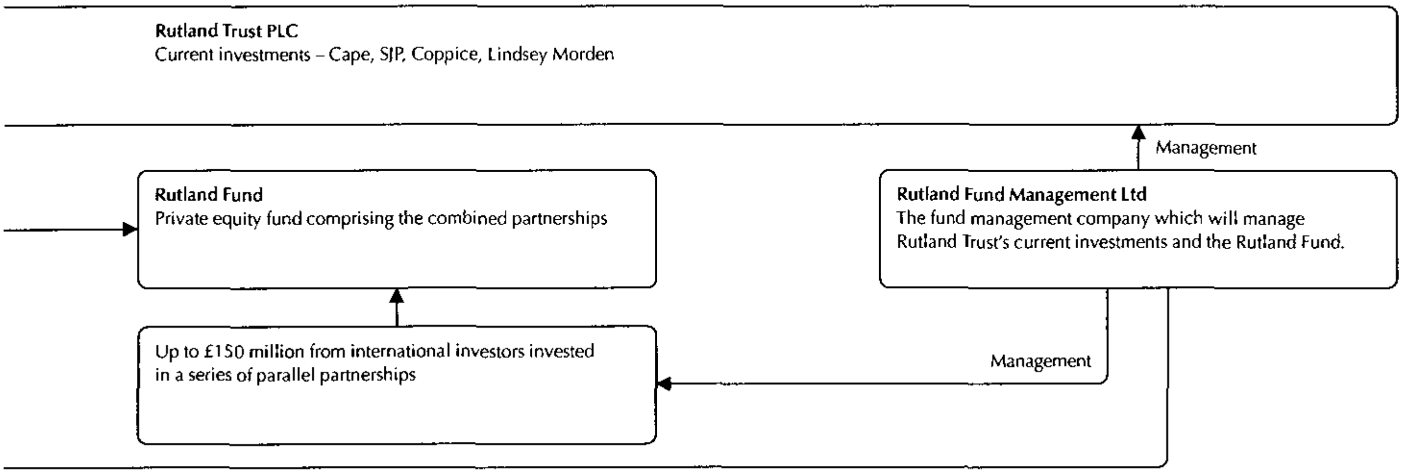
Immediately following the acquisition, two senior Rutland executives took over as Chief Executive and Finance Director and initiated the steps necessary to resolve the various organisational and operational problems that confronted CI. This included a comprehensive restructuring of the CI group, which is being split into two separately capitalised and managed divisions – SJP Group, comprising the labels businesses, and Coppice, comprising the aluminium foil containers business. In July 1999, Rutland invested a further £4.0 million to finance the acquisition and working capital requirements of Wasch, a Germany-based converting and printing operation possessing significant synergistic benefits with the other activities of the SJP Group.

Disposal of Castle Music
It is Rutland's declared strategy to invest in businesses where there are commercial or financial difficulties and then to work with operational management to achieve an improvement in value which can be realised for the benefit of Rutland Shareholders. Castle Music is a clear example of the successful implementation of this strategy.

Castle Music is a leading audio visual rights exploitation company that acquires rights to recorded material and releases own-label recordings in a variety of formats whilst also generating significant licensing revenues. It generates most of its revenue from sales in the UK, with significant contributions from continental Europe and North America.

Castle Music primarily focuses on mid-priced and budget audio products comprising archive and compilation material across a broad range of music genres. Castle Music's audio catalogue is one of the world's largest independent catalogues which includes owned rights to such artists as Black Sabbath, Iron Maiden and The Kinks and licences for artists such as Emerson, Lake and Palmer. In addition, Castle Music manages a select front line roster of artists who continue to release albums which sell at full price to an established fan base. These artists generate a substantial amount of Castle Music's fully priced product.

Rutland acquired 100% of the ordinary issued share capital of Castle Music in July 1998 for a consideration of £18.0 million (including costs). In the period from 1 January 1998 to 20 July 1998, Castle Music made an operating loss of £2.4 million on a turnover of £7.0 million. Following the benefits of a corporate recovery programme, in the year ended 31 December 1999 Castle Music generated a turnover of £20.1 million on which it made a profit before amortisation, interest and tax of £3.4 million. Castle Music had net assets (inclusive of music catalogue rights) of £19.1 million at 31 December 1999.



Rutland executives have been directly involved in the management of Castle Music for nearly two years, during which time Castle Music has developed into what the directors believe is one of Europe's leading independent rights exploitation companies. It has achieved this status through a comprehensive operational restructuring and the success of management's strategy to achieve a significant strengthening of Castle Music's product offer at all price points.

The Rutland Board believes that the sale will provide Castle and its operational management team with a suitable long term corporate owner with acknowledged expertise in Castle's field of operation. In addition, the successful financial realisation will enable Rutland to give Shareholders the opportunity to benefit from a significant cash return to be effected through the proposed Tender Offer, further details of which are set out in the Chairman's Statement.

Structure of the Rutland Fund

I set out in our 1998 Annual Report a summary of the structure of the Rutland Fund and the key issues which shareholders might wish to address. As the Chairman has indicated in his Statement, there has been no significant change in the rationale of the Fund and the arrangements under which Rutland proposes to co-invest with the Fund. The diagram above summarises the relationship between the various parties, comprising:

- **Rutland Trust** – which will hold its current investments and invest up to £100 million through the Rutland Partnership, a parallel partnership within the Rutland Fund;

- **Rutland Fund** – the private equity fund which combines the Rutland Partnership and up to £150 million from international investors invested in a series of parallel partnerships;

- **Rutland Fund Management Limited** – a newly formed fund management company comprising the existing executive management team at Rutland, which will be responsible for managing the investments in the Rutland Fund as well as the remaining portfolio of Rutland investments.

Conclusion

The turnaround of Castle Music has been achieved through the implementation of a clear strategy and represents another successful transaction for Rutland.

The proposed First Closing of the Rutland Fund at £80 million will enable us to take advantage of a number of good opportunities which we have been monitoring over recent months and which we anticipate will be added to by the current direction of the equity markets. This will also enable us to extend Rutland's existing portfolio on a wider basis through investment with the Rutland Fund and to make such investments on a basis that should improve returns to Shareholders.

The following pages review the performance over the past year of our Investment portfolio for which the central management team at Rutland has overall responsibility.

Michael Langdon

Michael Langdon
Chief Executive
March 2000

Investment review

Valuation of investments

	£m	Basis of valuation
Castle Music	40.0	realised value
Cape	7.5	market value
Lindsey Morden	7.1	market value
SJP/Coppice	26.4	directors' valuation
Total	81.0	

The above valuations are as at 27 March 2000.

Castle Music
Castle is a leading independent audio visual rights exploitation company.

Rutland has worked with the operational management of Castle Music for nearly two years during which time Castle Music has developed into one of Europe's leading independent rights exploitation companies. It has achieved this status through an operational restructuring and a significant strengthening of its product offer.

Castle Music has consolidated its operations into one site at Chessington, reduced its workforce and invested in improved information systems. A number of Castle's principal UK and international distribution arrangements have been renegotiated and its sales and marketing team strengthened to provide a more focused level of service to its key customers in a rapidly changing market. Castle has also invested in the development of new product ranges at previously under-exploited price points, in the selective acquisition of additional rights and in creating an expanding business in the distribution of video, film and DVD products. These developments have enabled Castle to have a broad and strong audio and visual product offer at all price points. Whilst only some of these initiatives have made a significant contribution to the improved levels of turnover and *profitability in the financial year just ended, all are expected to* make a full contribution to the trading performance of Castle in the current year.

In the year ended 31 December 1999 Castle generated turnover of £20.1 million on which it made a profit before amortisation, interest and tax of £3.4 million. Castle had net assets (inclusive of music rights catalogue) of £19.1 million at 31 December 1999 and has continued to trade in line with expectations since the year end.

As set out earlier in this Report, the Board announced on 30 March 2000 the successful sale of Castle for a gross consideration of £46 million.

Cape
Manufactures calcium silicate-based building products and provides insulation, scaffolding and related industrial services.

Cape PLC, a quoted company in which Rutland holds a 25% shareholding, reported pre-tax profits for 1999 of £9.1 million (1998: £8.8 million) and declared a total dividend for 1999 of 7.0p (1998: 7.0p).

Cape's Industrial Services division had a good year, particularly in its international operations. The recent upturn in oil prices is encouraging and the division's multi-discipline approach should contribute to continued growth in market share. Calsil, Cape's manufacturing division, which is a world leader in calcium silicate-based building and insulation products, had a difficult year particularly in overseas markets. The heavy export bias of the business combined with an extremely strong pound has put sustained pressure on volumes. As a result, Calsil is continuing the process of concentrating manufacture on a reduced number of sites in the UK.

During 1997 court proceedings were issued against Cape PLC by five South African residents who claim that they suffered injury as a result of asbestos mining activities in South Africa which ceased in 1979. Further proceedings followed and Cape asked the English courts to stay all these proceedings in England and return them to South Africa as a group action. The stay granted by the High Court in July 1999 was upheld by the Court of Appeal in October 1999. In February 2000 the House of Lords granted the claimants' petition for leave to appeal and the appeal is to be heard by the House of Lords in June. On the basis of legal advice received, the Board of Cape PLC believes that there are good prospects of defending proceedings successfully, either in English or South African courts and will continue to defend these actions vigorously.

Lindsey Morden
Provides independent loss adjusting and claims management services worldwide.

Through its Cunningham Lindsey subsidiaries, Lindsey Morden Group Inc., which is quoted on the Toronto Stock Exchange, provides policy administration and independent insurance claims and loss management services to insurance companies, self-insureds, government agencies and independent organisations worldwide. Lindsey Morden also provides claims adjusting and appraisal training courses through Vale National Training Centres with three locations in the United States.

1999 was a year of consolidation for Lindsey Morden. Following its acquisition from Rutland Trust in October 1998, Ellis & Buckle was merged with the UK operations of Cunningham Group, creating Cunningham Ellis & Buckle, the largest loss adjuster in the UK. Its Canadian operations were also restructured during the year.

In the year ended 31 December 1999, Lindsey Morden reported revenue of C$443 million and earnings per share from continuing operations of C$0.40 (1998: C$0.95). A dividend of C$1.0 per share was paid, in respect of which Rutland received approximately £0.6 million. At 31 December 1999, Lindsey Morden had shareholders' equity funds at 31 December 1999 of C$177.1 million (1998: C$191.2 million).

In June 1999 Rutland reduced its holding in Lindsey Morden from 16% to 10%, generating net proceeds on the disposal of £6 million.

Investment review continued

SJP

SJP Group is a producer of self-adhesive and other products for labelling applications. These activities are complemented by converting and printing operations.

SJP's operating businesses principally comprise:

- Self-adhesive paper mills
  SJP (UK), formerly Samuel Jones, based in Cambridgeshire
  SJP (Suisse), formerly Panoval, based in Switzerland
- Converting and printing operations
  Wasch, acquired in July 1999 and based in Germany
  Hovat, based in Kent

Following the acquisition of Capital Industries in May 1999, two senior Rutland executives were seconded temporarily as acting Chief Executive and Finance Director respectively. Addressing the problems in the business has necessitated a fundamental management, financial and corporate restructuring which is now nearing a conclusion. The new group structure should encourage better organisational management and exploitation of the synergistic benefits that exist between the operating companies in the group. In October 1999 Steve Burton, previously Chief Executive of Dennis Group, was appointed as the new permanent Chief Executive of the SJP Group and significant operational improvements have already been achieved.

During the 1999 year the SJP Group companies generated turnover of approximately £76 million on which their operating profits broadly broke-even. The restructuring, bid defence and redundancy of former executives gave rise to exceptional costs of £2.2 million.

Coppice

Coppice is a leading producer of aluminium foil containers mainly for the food industry.

Based in Bridgend, South Wales, Coppice Alupack produces aluminium and cardboard containers for supply to food processing groups for use in packaging convenience foods, and to the take-away catering trade.

During 1999, Coppice completed the relocation of its Birmingham production activities to its main South Wales site, and the significant cost and production advantages of this consolidation are now beginning to materialise. However, the results for 1999 were adversely affected by temporary capacity problems together with costs and inefficiencies incurred during the transitional period.

Coppice generated an operating profit of £1.6 million on a turnover of £18 million in 1999. Exceptional costs of £1.4 million primarily comprised further property-related costs and asset write-offs connected with the consolidation of its former Birmingham operation on the site of its main premises at Bridgend.

During March 2000 Doug Hind was appointed as the new Chief Executive of the Coppice Group following the retirement of Bryan Smith, who co-founded Coppice in 1981. He brings considerable skills and experience to the businesses having previously run a number of Rexam's packaging subsidiaries.

Contents of the financial statements

Report of the directors

The directors present their Annual Report and the audited financial statements for the year ended 31 December 1999.

Activities of the Company and its subsidiaries
During 1999, the Company acted as an investment holding company. As set out in the Chairman's statement the Company intends to apply for investment trust status, subject to the implementation of the proposals approved by Shareholders in January 1999.

Review of investments
A review of the performance of the Group's investments during the year is contained in the Investment Review on pages 6 to 8.

Results
The financial results for the year ended 31 December 1999 are set out in the consolidated profit and loss account on page 20. After providing for dividends of £5,783,000 (1998: £14,754,000 including an exceptional dividend of £9,026,000) the amount transferred to reserves is £307,000 (1998: £52,626,000).

Dividends
An interim trading dividend of 0.55 pence per share was paid on 24 November 1999. A final trading dividend of 1.50 pence per share is now recommended making a total trading dividend for 1999 of 2.05 pence per share. If approved, the final trading dividend will be paid on 19 May 2000 to shareholders on the Register at 14 April 2000.

Share capital
Details of shares issued during the year are given in Note 23.

Purchase of shares for cancellation
On 29 September 1999, the Company purchased for cancellation 20,233,522 shares in the market at a price of 41 pence per share, representing 6.7% of the number of shares in issue at that date.

Donations
During the year, the Group made charitable donations amounting to £20,700. No political donations were made.

Employment of disabled persons
The Group's employment policies make provision for ensuring fair treatment and maintenance of equal opportunities. These policies include full consideration of the needs of disabled people whether registered or not.

Employee involvement
The Group actively encourages employees to participate in its financial success through the Group share option and Sharesave schemes. Individual business management teams have continued to maintain direct communication with employees at operational level both to keep them informed and to secure their co-operation and involvement.

Fixed assets
In the opinion of the directors, the market value of the Group's freehold land and buildings is not substantially different from the net book amount. Information relating to changes in fixed assets is given in Notes 15 to 16.

Supplier payment policy
The supplier payment policy for Group companies is to agree terms and conditions for business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. Trade creditors of the Company at 31 December 1999 were equivalent to 39 days' purchases, based on the average daily amount invoiced by suppliers to the Company during the year.

Insurance
The Company has maintained insurance for its directors and officers against liabilities in relation to the Company.

Directors
The present directors of the Company are listed on page 19, all of whom served throughout 1999 with the exception of Mr OHJ Stocken, who was appointed on 1 October 1999. Admiral Sir Raymond Lygo retired on 31 December 1999. No director was materially interested in any contract or arrangement with the Company which was significant in relation to the Company's business.

Mr OHJ Stocken, having been appointed since the 1999 Annual General Meeting, will retire at the 2000 Annual General Meeting and being eligible offers himself for election.

Mr CB Dowling and Mr A Cassels will also retire at the 2000 Annual General Meeting and being eligible offer themselves for re-election.

Directors' interests
An analysis of the beneficial interests of the directors in the shares of the Company and in options to acquire shares is given on page 17.

Year 2000
Following the turn of the year, no significant problems occurred which in the opinion of the directors were attributable to the Year 2000 issue. However, given the complexity of the programme, it is not possible for any organisation to be certain that no Year 2000 problems will occur even if its own systems are fully compliant, and the directors continue to monitor the overall position. The total cost to the group of modifying its systems was £387,000 of which £139,000 has been charged to the profit and loss account and £248,000 capitalised as systems upgrade.

Taxation
The Company does not fall within the close company provisions of the Income and Corporation Taxes Act 1988.

Substantial shareholdings

The directors have been notified that the following have interests of 3% or more in the issued ordinary share capital of the Company:

	Number of ordinary shares	Percentage of the issued share capital
Schroder Investment Management Limited	35,238,624	12.47
Afrifina N.V.	32,400,000	11.47
Legal & General Investment Management Limited	15,102,024	5.35
British Airways Pension Fund	13,560,000	4.80
CGU plc	11,776,542	4.17
Fidelity International Limited	11,310,000	4.00
Prudential Corporation Plc	10,733,424	3.80
British Coal Staff Superannuation Scheme	10,203,500	3.61

The Company has not received any notification of any other interests or group of interests held by persons acting together which at 30 March 2000 represented 3% or more of the issued ordinary share capital of the Company.

Annual General Meeting – special business

At the Annual General Meeting to be held on 16 May 2000, the Notice of which is set out on page 52, resolutions will be proposed on the following items of special business:

(a) **To authorise the allotment of shares (Resolution 7)**
The directors consider it to be in the best interests of the Company that they should continue to have the power to allot authorised but unissued share capital. A general authority is sought to allot unissued shares up to a maximum nominal amount of £1,075,000, representing the authorised but unissued share capital of the Company.

(b) **To disapply Section 89 of the Companies Act 1985 (Resolution 8)**
The directors consider it to be in the best interests of the Company that they should continue to have the power to allot a relatively small number of shares, to enable the Company to act quickly should a suitable opportunity arise. Authority is therefore sought to disapply the pre-emption provisions of Section 89 of the Companies Act 1985 in respect of ordinary shares up to an aggregate nominal amount of £141,000, representing 5% of the Company's issued ordinary share capital at 31 December 1999.

(c) **To authorise the directors to purchase the Company's own shares (Resolution 9)**
The directors consider that in exceptional circumstances market purchases of the Company's own shares, up to an aggregate nominal amount of £420,000 representing 14.9% of the Company's issued ordinary share capital at 31 December 1999, could be beneficial to all Shareholders having due regard to the overall business activity and the effect on net asset value per share. This authority, which is contained in the Articles of Association, was in place at 31 December 1999 and is renewed annually at each Annual General Meeting. Any additional authority which the Company may require in connection with the proposed repurchase of shares referred to in the Chairman's statement on page 3 will be sought at an Extraordinary General Meeting.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue as auditors to the Company and in accordance with Section 383 of the Companies Act 1985 a resolution concerning their re-appointment as auditors will be proposed at the Annual General Meeting on 16 May 2000.

By Order of the Board
NA Moss
Secretary
30 March 2000

Corporate governance

The Company is committed to high standards of corporate governance throughout the Group. The Company is required to comply with The Combined Code on Corporate Governance ("the Code") which was issued by The London Stock Exchange in 1999. The Board is accountable to the Company's shareholders for good governance and this statement describes how the principles identified in the Code are applied to the Company.

Statement of compliance
The Board believes that, where required, and with the exception of the recommendations relating to the composition of the Audit Committee as set out below, the Company has complied throughout the year with Section 1 of the Code.

The Board of directors
The Board presently comprises two executive and three non-executive directors, all of whose biographies appear on page 19. The non-executive directors are considered by the Board to be wholly independent under the Code. Mr A Cassels is the Senior Independent Director.

The full Board of Directors normally has six formal meetings during the year, although if appropriate it will meet more frequently. The Board's prime responsibility is to the Company's shareholders, while at the same time having regard to the Group's customers and clients, its staff, the community and the environment. The executive directors meet on a more regular basis and are in continual discussion with operational management to ensure that business objectives are met.

The Board receives information that it considers to be sufficient and appropriate to enable it to discharge its duties. Each director receives board papers several days in advance of each scheduled Board meeting. Individual directors may seek independent professional advice in furtherance of their duties at the Company's expense and within certain parameters. All directors have access to the advice and services of the Company Secretary. Any question of the removal of the Company Secretary would be a matter for consideration by the Board as a whole.

Remuneration Committee
The Remuneration Committee comprises the three non-executive directors. The Report of the Remuneration Committee appears on pages 14 to 17.

Nomination Committee
The Nomination Committee meets on an ad hoc basis and comprises the three non-executive directors, who are authorised to make appropriate recommendations to the full Board of Directors.

Audit Committee
During 1999, Rutland Trust acted as an investment holding company, supervising autonomous operating units, which involves the Board in regular and comprehensive financial reviews of the businesses in the Group. It is the considered view of the Board that, given its size and composition, it should fulfil as a whole the duties of an Audit Committee which are envisaged by the Code. The Chairman and other non-executive directors are available for direct consultation with the Company's auditors whenever either party considers it appropriate.

Statement on going concern
The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Shareholders
The directors have regular dialogue with the Company's institutional shareholders. In addition, there is an opportunity for individual shareholders to question directors at the Annual General Meeting and the Company regularly responds to communications from shareholders on a wide range of issues.

The Company arranged for shareholders to be given 21 days' notice of its 1999 Annual General Meeting in accordance with statutory requirements. Following recommendations of the Code, it is the intention that the Notice of the 2000 Annual General Meeting will have been dispatched to shareholders not less than 20 working days before the Meeting.

Internal controls
The Company has adopted the transitional approach for the internal control aspects of the Code. The Board confirms that it has established the procedures necessary to implement the guidance 'Internal Control Guidance for Directors on the Combined Code' and will during the year review risks already identified and consider new risks arising. It will also make a full risk and control assessment, as recommended by the Turnbull Committee to the London Stock Exchange, before reporting for the year ended 31 December 2000.

As permitted by the London Stock Exchange, and notwithstanding the adoption of the transitional arrangements referred to above, the Company has complied with Code Provision D.2.1 on internal control for the year ended 31 December 1999 by reporting on internal financial control in accordance with the guidance for directors on internal control and financial reporting which was issued in December 1994.

Although no system of internal financial control can provide absolute assurance against material mis-statement or loss, the Group's systems are designed to provide reasonable assurance that proper accounting records are maintained, that assets are safeguarded, and that problems are identified on a timely basis and dealt with appropriately. Key features of the Group's systems include:

- A schedule of matters which are required to be brought to the Board for decision, ensuring that it is appraised of appropriate strategic, financial, organisational and compliance issues.

- Clear and appropriate delegation of responsibility to operational management through defined operating procedures and financial authority limits.

- A clear policy in respect of the minimum acceptable level of controls for a business unit, compliance with which is evaluated on a timely basis.

- A comprehensive annual budgeting system against which monthly performance is reported by all locations, in accordance with a strict financial timetable and detailed specifications. Forecasts are also prepared regularly throughout the year. These reports are rigorously reviewed by both operating and central management, with a report provided to the Board.

- Procedures for capital expenditure appraisal, authorisation and post-project review.

- Monitoring the internal financial control system which is performed by personnel independent of the management and operations of the Group's subsidiaries.

- For the purposes of applying the guidance of the Code, Cape PLC, the Group's 25% associate, has not been dealt with as part of the Group.

Directors' responsibilities
The directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;

- Make judgements and estimates that are reasonable and prudent;

- State whether applicable accounting standards have been followed;

- Prepare financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue in business.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps to prevent and detect fraud and other irregularities.

Report of the remuneration committee

Remuneration Committee
The Remuneration Committee of the Board now comprises the following directors, all of whom are non-executive:

O H J Stocken Chairman
A Cassels
RJJ Wickham

Compliance
The constitution and operation of the Remuneration Committee complied throughout the year with the principles in Section A of the best practice provisions annexed to The London Stock Exchange Listing Rules. The Remuneration Committee also confirms that it has given full consideration to Section B of the best practice provisions annexed to the Listing Rules in determining its policy on the remuneration packages for directors.

Policy on remuneration of executive directors and senior executives
The Remuneration Committee meets as and when required and is responsible for determining the remuneration packages and other employment terms of the executive directors and other senior executives. The remuneration of the non-executive directors, who do not participate in the Company's bonus or share option schemes, is determined by the full Board and is based upon the time required to attend Board and Committee meetings. The Chairman remains available to attend such other meetings as are required from time to time in respect of the Group's activities.

The Remuneration Committee aims to ensure that remuneration packages offered are competitive and designed to attract, retain and motivate executive directors and senior executives. In setting remuneration packages, the Committee has regard for packages offered by equivalent companies and competing development or venture capital organisations.

Annual bonus arrangements
Under the sole discretion of the Remuneration Committee the central management team may participate in annual bonus schemes dependent upon profit, growth in earnings per share and achievement of budget targets. Other executive directors and senior directors of Group subsidiaries, which operate as autonomous units, participate in profit-related bonus schemes dependent upon the trading results of the relevant businesses under their responsibility.

The Remuneration Committee has considered the Combined Code and believes that the Group's existing annual bonus arrangements are suitably aligned to shareholders' interests.

Exceptional bonus arrangements
The Remuneration Committee awards exceptional bonus payments to central senior executives based upon exceptional non-trading profits created by the realisation of the Group's assets at profits above a pre-defined minimum internal rate of return. Costs and any unrealised and realised losses on trade investments are taken into account in calculating such bonus arrangements. These bonus payments are designed to incentivise and reward the central team which is directly involved in the Company's successful investments, their management and ultimate realisation. Such payments complement the equity rewards obtained on realisation by local operational management.

Share-based incentive awards
Share-based incentive plans were approved by shareholders in 1996 to replace the Company's existing Executive Share Option Scheme. These included schemes for senior executives of Rutland Trust.

The arrangements have been designed to reward directors and senior executives through an award in the form of nil-cost options to acquire shares in the Company, based upon achieving certain pre-defined targets set over the medium- to long-term period. Long-term incentive awards are intended to be made only to those key individuals who are expected to make a real contribution to the future enhancement of shareholder value and are designed to encourage commitment to remain with the Group and to focus on the performance of the Group as a whole over a three-year period. The Remuneration Committee believes that the arrangements will encourage directors and senior executives to achieve consistent growth and to maximise the return to shareholders.

The Remuneration Committee has determined that, if the proposed conversion to investment trust status is implemented, the awards granted on 1 May 1998 will no longer be exercisable, and no further awards will be granted.

Service contracts
No director has a service contract of more than one year's duration. Executive directors may accept external directorships subject to and on the terms agreed by the Board.

(a) The Rutland Trust Central Share Incentive Plan (RT Plan)

The RT Plan was established for senior executives of Rutland Trust PLC and Rutland Corporate Finance Limited, under which sums may be advanced to the trustees of The Rutland Trust Employees' Share Trust to purchase or subscribe for shares in the Company. The trustees may on an annual basis grant to executive directors or other central senior management long-term incentive awards in the form of rights granted to acquire such shares in the Company. The rights which become vested will normally be exercisable no earlier than three years after the date of grant if, and in proportion to the extent that, a three-year performance target is exceeded, as determined by the Remuneration Committee on the date the award is made. The initial market value of shares over which a long-term incentive award may be granted to an individual in any year cannot exceed the amount of that individual's basic annual salary.

The current performance target to be achieved for a maximum award, being 100 per cent of the number of shares awarded, is that the growth in the Company's earnings per share (EPS) over a fixed three-year period exceeds the growth in the Retail Price Index (RPI) over that period by 52.09% – representing 15% per annum compounded annually. For these purposes EPS in any year will be the published EPS excluding exceptional items. To the extent that the growth in EPS is less than this maximum target, other lower thresholds have been set. The cost of the shares is written off over the life of the award.

The following awards have been granted by the trustees under the RT Plan:

Date of grant	Market value of shares on date of grant	Performance period 3 years ending	Maximum number of shares	Exercise period From	To
2/12/1996 (i)	52.75p	31/12/1998	1,323,311	2/12/1999	1/12/2003
22/4/1997 (ii)	59.90p	31/12/1999	1,281,089	22/4/2000	21/4/2004
1/5/1998 (iii)	60.75p	31/12/2000	1,259,256	1/5/2001	30/4/2005

(i) On 13 December 1999 awards over 1,323,311 shares granted on 2 December 1996 were exercised when the market value was 39p per share.

(ii) The performance period in respect of the awards granted on 22 April 1997 was completed on 31 December 1999. The minimum threshold was not achieved and accordingly the awards have lapsed.

(iii) The Remuneration Committee has determined that the awards granted on 1 May 1998 will no longer be exercisable if the proposed conversion to investment trust status is implemented.

(b) The Rutland Trust 1996 Share Savings Scheme (Sharesave Scheme)

The Sharesave Scheme was launched in 1996 and allows eligible employees to save under an Inland Revenue approved Save As You Earn (SAYE) savings contract a fixed monthly sum of between £10 and £250 over five years. The options may normally be exercised during the period of six months after completion of the five-year contract between 1 February 2002 and 31 July 2002, and the savings used to purchase shares in the Company at a fixed price of 47.5 pence each. However, on disposal of a subsidiary company which participates in the Sharesave Scheme, option holders employed by the subsidiary may exercise their options at the same fixed price within six months following completion of the disposal, to the extent of their cumulative savings to date, at the end of which period their options lapse.

Report of the remuneration committee continued

Directors' emoluments

	1999 £000	1998 £000
Non-executive directors' fees	**85**	70
Executive directors' emoluments (excluding pension contributions)	**382**	483
Annual bonuses	**–**	126
Exceptional bonuses	**370**	900
Aggregate value of long-term awards	**214**	–
Pension contributions	**439**	683
	1,490	2,262

Directors' remuneration

An analysis of the total remuneration of the directors is as follows:

	Salary/ fees £000	Annual bonus £000	Exceptional bonus £000	Benefits £000	Total 1999 £000	Total 1998 £000	Pension 1999 £000	Pension 1998 £000
Admiral Sir Raymond Lygo* (Chairman – resigned 31/12/99)	40	–	–	–	**40**	40	**–**	–
OHJ Stocken* (appointed 1/10/99; Chairman from 1/1/00)	5	–	–	–	**5**	–	**–**	–
MRF Langdon	205	–	100	5	**310**	629	**369**	491
CB Dowling	168	–	270	4	**442**	750	**70**	155
A Cassels*	20	–	–	–	**20**	15	**–**	–
RJJ Wickham*	20	–	–	–	**20**	15	**–**	–
GA Loughney (resigned 30/10/98)	–	–	–	–	**–**	130	**–**	37
Total	458	–	370	9	**837**	1,579	**439**	683

* Non-executive

Annual bonuses

No director received an annual discretionary bonus in 1999. 1998 pension contributions include amounts of annual discretionary bonus of £105,000 and £25,000 which MRF Langdon and CB Dowling respectively elected to be paid as additional pension contributions.

Exceptional bonuses

During the year the Remuneration Committee, in accordance with its stated policy, also approved the payment of exceptional bonuses following the disposal of Benjamin Shaw and Sons Limited in December 1998. MRF Langdon and CB Dowling received total bonuses of £432,000 and £309,000 respectively, of which they elected to have £332,000 and £39,000 respectively paid as additional pension contributions. In 1998 MRF Langdon and CB Dowling received total exceptional bonuses of £750,000 and £600,000 respectively, of which they elected to have £350,000 and £100,000 respectively paid as additional pension contributions.

Long-term awards

On 13 December 1999, long-term awards were exercised under the Rutland Trust Central Share Incentive Plan, as set out on page 15. MRF Langdon received 303,317 shares at a market value of £118,000 and CB Dowling received 246,445 shares at a market value of £96,000. No director exercised share options in 1999.

Benefits

No director is a member of a Group-defined benefit pension scheme therefore no pension benefits are accrued. Car benefits were replaced during the year by the provision of an equivalent salary as a car allowance and benefits in kind now comprise primarily medical insurance.

Directors' interests

The directors' beneficial interests in the ordinary shares of 1p each in the Company were:

	At 31 December 1999			At 1 January 1999 §		
	Fully paid	Options/ awards	Total interests	Fully paid	Options/ awards	Total interests
OHJ Stocken*	**100,000**	**–**	**100,000**	–	–	–
MRF Langdon	**4,446,818**	**2,585,080**	**7,031,898**	4,143,501	3,184,195	7,327,696
CB Dowling	**750,000**	**279,113**	**1,029,113**	1,530,000	765,894	2,295,894
A Cassels*	**132,480**	**–**	**132,480**	132,480	–	132,480
RJJ Wickham*	**6,000**	**–**	**6,000**	6,000	–	6,000

* Non-executive § or date of appointment

Throughout the year Admiral Sir Raymond Lygo, who retired on 31 December 1999, beneficially held 502,300 shares in the Company. On 13 December 1999, OHJ Stocken and CB Dowling respectively purchased 100,000 and 13,555 shares in the market at 39 pence per share. There has been no change in directors' interests between 31 December 1999 and 30 March 2000.

Directors' share options and long term awards

Details of the options held by directors are as follows:

	Note	At 1 January 1999	Exercised	Lapsed	At 31 December 1999	Option exercise price per share (p)	Date from which exercisable	Expiry date
MRF Langdon	(a)	2,000,000	–	–	**2,000,000**	20.50	16/4/1996	15/4/2003
	(a)	250,000	–	–	**250,000**	37.00	16/10/1998	18/10/2005
	(b)	36,315	–	–	**36,315**	47.50	1/2/2002	31/7/2002
	(c)	303,317	(303,317)	–	**–**	–	2/12/1999	1/12/2003
	(d)	295,798	–	(295,798)	**–**	–	22/4/2000	21/4/2004
	(d)	298,765	–	–	**298,765**	–	1/5/2001	30/4/2005
		3,184,195	(303,317)	(295,798)	**2,585,080**			
CB Dowling	(b)	36,315	–	–	**36,315**	47.50	1/2/2002	31/7/2002
	(c)	246,445	(246,445)	–	**–**	–	2/12/1999	1/12/2003
	(d)	240,336	–	(240,336)	**–**	–	22/4/2000	21/4/2004
	(d)	242,798	–	–	**242,798**	–	1/5/2001	30/4/2005
		765,894	(246,445)	(240,336)	**279,113**			

(a) Granted under the Rutland Trust PLC Executive Share Option Scheme. Options held under this Scheme may be exercised between three and ten years after the date of grant. It is the current intention of the Remuneration Committee not to grant further options under this Scheme. Further details are given in Note 24(a).

(b) Granted under the Rutland Trust 1996 Share Savings Scheme. Further details are given in Note 24(b).

(c) Granted under The Rutland Trust Central Share Incentive Plan. Further details are given on page 15.

(d) Also granted under The Rutland Trust Central Share Incentive Plan. Further details are given on page 15.

(e) All options under the Rutland Trust PLC Executive Share Option and Sharesave Schemes were granted for nil consideration.

(f) No options or awards were granted during the year.

(g) The Company's register of directors' interests (which is open to inspection) contains full details of directors' shareholdings and options to subscribe for shares.

OHJ Stocken
Chairman of the Remuneration Committee
30 March 2000

Report of the auditors to the members of Rutland Trust PLC

Audit report
We have audited the financial statements on pages 20 to 51 and the additional disclosures on pages 14 to 17 relating to the remuneration of the directors specified for our review by the London Stock Exchange, which have been prepared under the historical cost convention and the accounting policies set out on pages 24 to 25.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report including, as described on page 13, responsibility for preparing the financial statements in accordance with applicable United Kingdom 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 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 United Kingdom 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 information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

We review whether the statements on pages 12 to 13 reflect the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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 Company's and Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 the Group as at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
30 March 2000

Southwark Towers
32 London Bridge Street
London SE1 9SY

PRICEWATERHOUSECOOPERS

Directors' information

OHJ Stocken (58)* Chairman
Oliver Stocken joined the Board on 1 October 1999 and subsequently took over as Chairman on 1 January 2000 following the retirement of Sir Raymond Lygo. Mr Stocken was Group Finance Director of Barclays PLC and is currently a non-executive director of a number of listed companies, including 3i, The Rank Group, MEPC and Pilkington.

M R F Langdon (52) Deputy Chairman/Chief Executive
Michael Langdon is a Cambridge economics graduate who qualified as a chartered accountant with Price Waterhouse. He became a partner in 1981, specialising in investigative and corporate finance work for large multinational clients. In 1986 he left Price Waterhouse to establish Rutland Trust, where as Chief Executive he has been responsible for group strategy and has had direct involvement in all its investments.

C B Dowling (46) Deputy Chief Executive
Christopher Dowling is an economics graduate of Exeter University who qualified as a chartered accountant with Deloitte, Haskins & Sells in 1978. He joined Barclays Merchant Bank (subsequently BZW) where he was a director of corporate finance. In 1986 he left BZW to establish Rutland Trust with Michael Langdon. As Deputy Chief Executive of Rutland he has been responsible for its development and has been closely involved in many of its investments.

A Cassels (70)*
Sandy Cassels was an executive director of Edinburgh Fund Managers PLC until he retired in 1990. During 1999 he retired as Chairman of Northern Leisure PLC and Dunedin Enterprise Investment Trust PLC.

R J J Wickham (66)*
Bob Wickham is a former General Manager of Bank of Scotland with responsibility for England. He is currently on the Board of Northern Leisure PLC, Secure Trust Banking Group PLC and a number of unlisted companies.

* non-executive

Consolidated profit and loss account

for the year ended 31 December 1999	Note	1999 Excluding exceptional items £000	1999 Exceptional items £000	1999 Total £000	1998 Excluding exceptional items £000	1998 Exceptional items £000	1998 Total £000
Turnover							
Continuing operations		274	–	274	4,670	–	4,670
Acquisitions		56,472	–	56,472	–	–	–
Total continuing operations		56,746	–	56,746	4,670	–	4,670
Discontinued operations		20,090	–	20,090	102,639	–	102,639
	2	76,836	–	76,836	107,309	–	107,309
Operating profit							
Continuing operations		(2,394)	–	(2,394)	192	–	192
Acquisitions		1,633	(480)	1,153	–	–	–
Total continuing operations		(761)	(480)	(1,241)	192	–	192
Discontinued operations		2,594	–	2,594	8,883	(1,535)	7,348
	3	1,833	(480)	1,353	9,075	(1,535)	7,540
Share of operating results in associated undertakings	5	2,540	(1,220)	1,320	5,365	(2,727)	2,638
Profit on disposal of businesses	6	–	–	–	–	75,760	75,760
Fundamental reorganisation	7	–	–	–	–	(1,464)	(1,464)
Profit on disposal of fixed asset investments		374	–	374	–	–	–
Income from fixed asset investments		684	–	684	–	–	–
Interest receivable and similar income		5,968	–	5,968	4,868	–	4,868
Interest payable and similar charges	8	(1,888)	–	(1,888)	(2,207)	–	(2,207)
Profit on ordinary activities before tax	2, 9	9,511	(1,700)	7,811	17,101	70,034	87,135
Tax on profit on ordinary activities	10	(1,866)	145	(1,721)	(3,345)	(16,327)	(19,672)
Profit on ordinary activities after tax		7,645	(1,555)	6,090	13,756	53,707	67,463
Minority interests	11	–	–	–	(83)	–	(83)
Profit attributable to shareholders		7,645	(1,555)	6,090	13,673	53,707	67,380
Dividends	12	(5,783)	–	(5,783)	(5,728)	(9,026)	(14,754)
Retained profit for the financial year		1,862	(1,555)	307	7,945	44,681	52,626
Earnings per 1p ordinary share							
– basic	13	2.57p	(0.52)p	2.05p	4.55p	17.85p	22.40p
– diluted	13	2.56p	(0.52)p	2.04p	4.51p	17.74p	22.25p
Dividend per 1p ordinary share	12	2.05p	–	2.05p	1.90p	3.00p	4.90p

There is no material difference between the results of the Group and Company disclosed in the respective profit and loss accounts and the results on an unmodified historical cost basis.

The statement of movement on revenue reserves is set out in Note 25.

The notes on pages 24 to 51 form part of these financial statements.

Consolidated and Company balance sheets

at 31 December 1999	Note	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Fixed assets					
Intangible assets	14	**24,490**	18,489	**–**	–
Tangible assets	15	**37,622**	3,501	**3,382**	2,916
Investments	16	**21,142**	32,993	**66,538**	61,376
		83,254	54,983	**69,920**	64,292
Current assets					
Stock and work in progress	17	**15,063**	1,191	**–**	–
Debtors	18	**51,907**	25,680	**22,318**	20,349
Cash at bank and in hand		**71,195**	106,490	**68,708**	103,218
Total current assets		**138,165**	133,361	**91,026**	123,567
Creditors: due within one year					
Borrowings	19	**(28,586)**	(4,627)	**(4,250)**	(4,574)
Other creditors	20	**(35,119)**	(26,966)	**(8,320)**	(18,950)
Total current liabilities		**(63,705)**	(31,593)	**(12,570)**	(23,524)
Net current assets		**74,460**	101,768	**78,456**	100,043
Total assets less current liabilities		**157,714**	156,751	**148,376**	164,335
Creditors: due after one year					
Borrowings	19	**(8,763)**	(13)	**–**	–
		148,951	156,738	**148,376**	164,335
Provisions for liabilities and charges	21	**(9,914)**	(9,363)	**(6,549)**	(7,557)
Net assets		**139,037**	147,375	**141,827**	156,778
Capital and reserves					
Called up share capital	23	**2,825**	3,027	**2,825**	3,027
Share premium account	25	**27,639**	27,617	**27,639**	27,617
Capital reserves	25	**20,367**	28,518	**311**	108
Other reserve	25	**–**	–	**37,386**	45,740
Profit and loss account	25	**88,056**	88,213	**73,666**	80,286
Equity shareholders' funds		**138,887**	147,375	**141,827**	156,778
Minority interests	30	**150**	–	**–**	–
		139,037	147,375	**141,827**	156,778

The financial statements on pages 20 to 51 were approved by the Board of Directors on 30 March 2000.

OHJ Stocken
Chairman

MRF Langdon
Deputy Chairman/Chief Executive

The notes on pages 24 to 51 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 December 1999	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Profit/(loss) for the financial year	**6,090**	67,380	**(837)**	74,672
Currency translation differences on foreign currency net investments	**(464)**	(68)	**–**	–
Total recognised gains and losses for the year	**5,626**	67,312	**(837)**	74,672

The notes on pages 24 to 51 form part of these financial statements.

Reconciliation of movements in shareholders' funds

for the year ended 31 December 1999		Group		Company	
	Note	1999 £000	1998 £000	1999 £000	1998 £000
Profit/(loss) for the financial year		**6,090**	67,380	**(837)**	74,672
Dividends		**(5,783)**	(14,754)	**(5,783)**	(14,754)
		307	52,626	**(6,620)**	59,918
Issue of shares	23, 25	**23**	259	**23**	259
Purchase of own shares for cancellation	25	**(8,354)**	–	**(8,354)**	–
Transfer of goodwill on disposal of subsidiaries		**–**	18,724	**–**	–
Release of costs		**–**	–	**–**	184
Currency translation differences on foreign currency net investments		**(464)**	(68)	**–**	–
Net movement in shareholders' funds		**(8,488)**	71,541	**(14,951)**	60,361
Shareholders' funds at 1 January		**147,375**	75,834	**156,778**	96,417
Shareholders' funds at 31 December		**138,887**	147,375	**141,827**	156,778

The notes on pages 24 to 51 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 1999	Note	1999 £000	1998 £000
Cash flow			
Net cash (outflow)/inflow from operating activities		**(3,745)**	6,425
Returns on investments and servicing of finance	26(a)	**6,276**	4,190
Taxation		**(10,906)**	(3,028)
Capital expenditure and financial investment and disposals	26(b)	**3,541**	(5,092)
Acquisitions and disposals	26(c)	**(17,215)**	111,797
Equity dividends paid		**(5,758)**	(14,295)
Net cash (outflow)/inflow before financing		**(27,807)**	99,997
Financing	26(d)	**(7,429)**	1,261
(Decrease)/increase in cash during the year		**(35,236)**	101,258

	Note	1999 £000	1998 £000
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash during the year		**(35,236)**	101,258
Movement in debt and lease financing		**(902)**	(1,003)
Change in net funds resulting from cash flows	26(e)	**(36,138)**	100,255
Currency translation differences		**250**	–
Acquisition of subsidiary undertakings	26(e)	**(32,116)**	(103)
Disposal of subsidiary undertakings		–	28,635
Movement in net funds during the year		**(68,004)**	128,787
Net funds/(debt) at 1 January	26(e)	**101,850**	(26,937)
Net funds at 31 December	26(e)	**33,846**	101,850

	1999 £000	1998 £000
Reconciliation of operating profit to cash flow from operating activities		
Operating profit	**1,353**	7,540
Depreciation	**2,300**	4,111
Amortisation	**1,067**	420
Fundamental reorganisation	**(408)**	(507)
(Profit)/loss on disposal of fixed assets	**(123)**	91
Amortisation of investments	**14**	231
Decrease/(increase) in stock and work in progress	**60**	(1,238)
(Increase) in debtors	**(1,296)**	(5,579)
(Decrease)/increase in creditors	**(5,017)**	1,696
(Decrease) in provisions	**(1,695)**	(340)
Net cash (outflow)/inflow from operating activities	**(3,745)**	6,425

The notes on pages 24 to 51 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

(a) Convention

The consolidated accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

(b) Basis of consolidation

The consolidated accounts comprise the audited financial statements of the Company and its subsidiary undertakings which are made up for the year ended 31 December 1999. The results of companies acquired or disposed of during the year are included in the consolidated accounts from or to their respective dates of acquisition or disposal.

(c) Goodwill

(i) Arising up to 31 December 1997

Goodwill arising on consolidation is written off against capital reserves. On disposal of a business goodwill previously written off is reinstated to the capital reserves and written off through the profit and loss account in arriving at the profit or loss on disposal.

(ii) Arising after 31 December 1997

Purchased goodwill arising on the acquisition of any business after 31 December 1997 is capitalised as an intangible asset and amortised on a straight line basis through the profit and loss account over the estimated useful economic life of the business acquired, such useful economic life being dependent on the nature of the business acquired. In the opinion of the directors, the estimated useful economic life of subsidiaries acquired is 20 years. On disposal of a business the unamortised goodwill is written off through the profit and loss account in arriving at the profit or loss on disposal.

(d) Listed investments

Investments which are listed on the London Stock Exchange or any other recognised Stock Exchange are stated in the Company's balance sheet at the lower of cost and market value.

(e) Associated undertakings

The consolidated profit and loss account includes the Group's share of the results of its associated undertakings where there is a substantial holding in the equity and participation in financial and operating policy decisions. Investments in the associated undertakings are included in the consolidated balance sheet at cost less goodwill written off plus the Group's share of post-acquisition retained reserves.

(f) Intangible assets

Copyrights are capitalised as intangible assets and amortised on a straight line basis through the profit and loss account over the estimated average useful economic life of the portfolio which, in the opinion of the directors, is 20 years.

(g) Tangible fixed assets

Tangible fixed assets are written off on a straight line basis over their estimated useful lives as follows:

Freehold property	20–50 years
Leasehold property	Length of lease
Plant and machinery	3–20 years
Motor vehicles	3–4 years
Computers and office equipment	3–5 years
Fixtures and fittings	5–10 years

No depreciation is provided on freehold land. The Company's freehold property is fully maintained and the full annual cost of maintainence is charged in the profit and loss account.

(h) Stock and work in progress
Stock and work in progress is stated at the lower of cost and net realisable value. Cost includes an attributable proportion of direct materials, labour and factory overheads. Where the replacement cost of stock of goods for resale is materially different from the lower of cost and net realisable value, this is separately stated.

(i) Deferred taxation
Provision is made for deferred taxation on the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The provision is maintained to the extent that timing differences are not expected with reasonable probability to continue into the foreseeable future.

(j) Turnover
Turnover represents the value of goods and services invoiced to customers during the year, less any returns and rebates, and excludes any attributable value added tax.

(k) Foreign currency
The assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet dates. Profits and losses of overseas subsidiary undertakings are translated into sterling at the average rates of exchange during the year. The differences arising from the translation of net equity interests in overseas subsidiary undertakings and of foreign currency borrowings used to finance these interests are dealt with through reserves as are differences between profits translated at average and closing rates.

(l) Pensions
The Group operates a number of defined contribution schemes, contributions to which are charged to the profit and loss account against the profits of the year in which they become payable. A defined benefits scheme for employees is in operation with the scheme's assets being held separately from those of the Group. Contributions are paid in accordance with the recommendation of an independent actuary and are charged to the profit and loss account so as to spread the cost over the service lives of employees.

(m) Acquisition of interests from minority shareholders
Where agreement exists for the Company to acquire further shareholdings in its subsidiary undertakings from their minority shareholders, provision is made in the financial statements for a reasonable estimate of the cost of acquisition and corresponding goodwill adjustment.

(n) Leases
Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is capitalised as a tangible fixed asset and depreciated on a basis consistent with other fixed assets. Operating lease rentals payable and receivable are recognised in the profit and loss account on a straight line basis over the period of the lease.

Notes to the financial statements continued

2 Segmental analysis

(a) By geographical area

	Turnover by destination		Turnover by origin		Profit before tax		Net assets	
	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000	1999 £m	1998 £m
United Kingdom	38,394	107,309	58,650	107,309	8,319	17,101	117.7	133.2
Europe – EU	28,808	–	6,225	–	5	–	4.6	–
Europe – non EU	4,052	–	11,961	–	257	–	6.5	–
North America	3,833	–	–	–	930	–	9.9	14.2
Rest of the world	1,749	–	–	–	–	–	0.3	–
Total excluding exceptional items	76,836	107,309	76,836	107,309	9,511	17,101	139.0	147.4
Exceptional items	–	–	–	–	(1,700)	70,034	–	–
	76,836	107,309	76,836	107,309	7,811	87,135	139.0	147.4

In 1998, all material segments of the Group's business operated within the UK. Turnover by geographical destination was not materially different from geographical origin which related entirely to external customers.

(b) By activity

	Turnover by destination		Turnover by origin		Profit before tax		Net assets	
	1999 £000	1998 £000	1999 £000	1998 £000	1999 £000	1998 £000	1999 £m	1998 £m
Continuing operations	56,746	4,670	56,746	4,670	6,917	9,558	119.9	147.4
Discontinued operations	20,090	102,639	20,090	102,639	2,594	7,543	19.1	–
Total excluding exceptional items	76,836	107,309	76,836	107,309	9,511	17,101	139.0	147.4
Exceptional items	–	–	–	–	(1,700)	70,034	–	–
	76,836	107,309	76,836	107,309	7,811	87,135	139.0	147.4

(i) Continuing operations includes the post acquisition results of Capital Industries PLC (CI), whose contribution to operating profit is included within Acquisitions in Note 3. CI had attributable net assets at 31 December 1999 of £17.4 million.

(ii) Discontinued operations in 1999 comprise the results of Castle Music Ltd and the other subsidiaries of the Law 961 Limited group, following the announcement on 30 March 2000 of its conditional disposal. Comparative figures have accordingly been reclassified.

3 Operating profit

(a) 1999

	Continuing operations £000	Acquisitions £000	Total continuing operations £000	Discontinued operations £000	Total £000
Turnover	**274**	**56,472**	**56,746**	**20,090**	**76,836**
Change in stocks of goods for resale and work in progress	–	374	374	(314)	60
Other external charges	–	36,758	36,758	11,427	48,185
Staff costs	3,034	8,536	11,570	2,043	13,613
Depreciation	82	1,888	1,970	330	2,300
Amortisation	–	213	213	854	1,067
Other operating charges	894	7,499	8,393	3,375	11,768
Other operating income	(1,342)	(429)	(1,771)	(219)	(1,990)
	2,668	54,839	57,507	17,496	75,003
Operating profit (excluding exceptional items)	(2,394)	1,633	(761)	2,594	1,833
Exceptional items – other operating charges	–	(480)	(480)	–	(480)
Operating profit	(2,394)	1,153	(1,241)	2,594	1,353

The exceptional items of £480,000 comprise reorganisation costs arising from Capital Industries PLC.

(b) 1998

	Continuing operations £000	Acquisitions £000	Total continuing operations £000	Discontinued operations £000	Total £000
Turnover	4,670	–	4,670	102,639	107,309
Change in stocks of goods for resale and work in progress	–	–	–	(1,238)	(1,238)
Other external charges	15	–	15	34,940	34,955
Staff costs	4,408	–	4,408	34,623	39,031
Depreciation	96	–	96	4,015	4,111
Amortisation	–	–	–	420	420
Other operating charges	627	–	627	21,484	22,111
Other operating income	(668)	–	(668)	(488)	(1,156)
	4,478	–	4,478	93,756	98,234
Operating profit (excluding exceptional items)	192	–	192	8,883	9,075
Exceptional items – other operating charges	–	–	–	(1,535)	(1,535)
Operating profit	192	–	192	7,348	7,540

The exceptional items of £1,535,000 comprise reorganisation costs arising from E&B Holdings Limited and Hunter & Partners Group Limited prior to their disposal.

Notes to the financial statements continued

4 Staff costs

	1999 £000	1998 £000
Wages and salaries	**11,341**	33,879
Social security costs	**1,274**	2,992
Other pension costs	**998**	2,160
	13,613	39,031

At 31 December 1999, a total of £4,000 (1998: £25,000) payable to the various pension funds at the year end was included in creditors. No pension contributions were prepaid at 31 December 1999 (1998: £nil).

The average number of persons (including directors) employed by the Group during the year was:

	1999 Number	1998 Number
Head Office	**20**	19
Castle Music	**68**	30
Capital Industries	**362**	–
Businesses discontinued in 1998	**–**	1,432
	450	1,481

The average number of employees in respect of Castle Music in 1998 and Capital Industries in 1999 is apportioned over the respective periods in which the businesses were part of the Group.

5 Income from interests in associated undertakings

The share of the results attributable to the Group's associated undertakings was:

	Note	1999 £000	1998 £000
Operating profit (excluding exceptional items)		**2,540**	5,365
Net interest payable	8	**(541)**	(790)
Profit before tax (excluding exceptional items)		**1,999**	4,575
Exceptional items		**(1,220)**	(2,727)
Profit before tax		**779**	1,848
Tax	10	**(576)**	(621)
Profit after tax		**203**	1,227

The share of the results of Capital Industries PLC in 1999 are included prior to the Company's acquisition of its remaining equity interests in May 1999. The exceptional items of £1,220,000 comprise the Group's share of the reorganisation costs of Capital Industries (1998: £1,786,000). The remaining exceptional items in 1998 of £941,000 comprise the Group's share of Cape's exceptional costs of litigation. Further details in respect of associate undertakings are given in Note 16.

6 Profit on disposal of businesses

	1999 £000	1998 £000
MTS (Holdings) Limited	–	30,531
E & B Holdings Limited	–	41,024
Benjamin Shaw and Sons (Holdings) Limited	–	13,617
Other	–	(9,412)
	–	75,760

Further information in respect of the above disposals is included in Note 29.

7 Fundamental reorganisation

	1999 £000	1998 £000
Corporate restructure	–	1,464

The corporate restructure comprises the costs associated with the proposed conversion of Rutland Trust to investment trust status.

8 Interest payable and similar charges

	Note	1999 £000	1998 £000
Bank overdrafts and loans repayable within 5 years not by instalments		930	1,417
Bank loans repayable within 5 years by instalments		411	–
Bank loans repayable after 5 years by instalments		6	–
Amortisation of debt finance costs		–	7
Hire purchase interest and finance charges		58	177
		1,405	1,601
Transfer to operating costs	9	(58)	(184)
Net interest payable and similar charges attributable to Group		1,347	1,417
Share of net interest payable attributable to associates	5	541	790
		1,888	2,207

Notes to the financial statements continued

9 Profit on ordinary activities before tax

			1999 £000	1998 £000
This is stated after charging/(crediting):				
Auditors' remuneration	– PricewaterhouseCoopers	– audit fees	**117**	150
		– non-audit fees	**90**	249
	– other auditors	– audit fees	**53**	32
Operating lease rentals	– land and buildings		**1,528**	3,015
	– other		**326**	2,059
Depreciation	– owned tangible fixed assets		**2,046**	3,932
	– assets held under finance leases		**254**	179
Amortisation	– purchased goodwill		**243**	15
	– other intangible assets		**824**	405
Amortisation of debt finance costs			**–**	7
Hire purchase interest and finance charges			**58**	177
Rent receivable			**(446)**	(499)

The Group's audit fees payable to PricewaterhouseCoopers are inclusive of expenses and include £31,000 (1998: £28,000) in respect of the Company's audit. Non-audit fees in 1998 included £13,000 (1999: £nil) transferred to cost of investment.

10 Tax on profit on ordinary activities

	1999 £000	1998 £000
Excluding exceptional items		
UK corporation tax at 30.25% (1998: 31%) on taxable profits for the year	**2,089**	3,195
Over provision in respect of earlier years	**–**	(793)
Deferred taxation	**(799)**	(401)
Share of tax of associated undertakings	**576**	1,344
	1,866	3,345
Exceptional items		
On disposal of businesses – current taxation	–	10,800
– deferred taxation	–	6,600
Fundamental reorganisation	–	(30)
Operating exceptional costs	**(145)**	(320)
Share of tax of associated undertakings	**–**	(723)
	(145)	16,327
	1,721	19,672

11 Minority interests

	1999 £000	1998 £000
Equity interests	–	76
Non-equity interests	–	7
	–	83

12 Dividends

	1999 £000	Pence per share	1998 £000	Pence per share
Interim dividend paid				
Trading	**1,545**	**0.55**	1,515	0.50
Exceptional	**–**	**–**	9,026	3.00
	1,545	**0.55**	10,541	3.50
Final dividend proposed				
Trading	**4,238**	**1.50**	4,213	1.40
Exceptional	**–**	**–**	–	–
	4,238	**1.50**	4,213	1.40
Total dividend				
Trading	**5,783**	**2.05**	5,728	1.90
Exceptional	**–**	**–**	9,026	3.00
	5,783	**2.05**	14,754	4.90

Notes to the financial statements continued

13 Earnings per 1p ordinary share

(a) Basic

	1999 Pence	1998 Pence
Excluding exceptional items	**2.57**	4.55
Exceptional items	**(0.52)**	17.85
	2.05	22.40

The figure for earnings per share of 2.05 pence (1998: 22.40 pence) is calculated on the profit of the Group of £6,090,000 (1998: £67,380,000) after taxation and minority interests, on a weighted average of 297,625,000 shares of 1p each (1998: 300,831,000).

The directors consider that the disclosure of a figure of 2.57 pence (1998: 4.55 pence) for earnings per share excluding exceptional items provides a significant indicator of the performance of the Group's trading operations.

(b) Diluted

	1999 Pence	1998 Pence
Excluding exceptional items	**2.56**	4.51
Exceptional items	**(0.52)**	17.74
	2.04	22.25

The figure for diluted earnings per share of 2.04 pence (1998: 22.25 pence) is calculated on a profit of £6,090,000 (1998 : £67,380,000) on a weighted average of 298,775,000 shares of 1p each (1998 : 302,838,000).

14 Intangible assets

Group	Copyrights £000	Purchased goodwill £000	Total £000
Cost			
At 1 January 1999	18,312	597	18,909
On acquisition of subsidiary undertakings	–	7,068	7,068
At 31 December 1999	18,312	7,665	25,977
Amortisation			
At 1 January 1999	405	15	420
Charge for the period	824	243	1,067
At 31 December 1999	1,229	258	1,487
Net book amount			
At 31 December 1999	**17,083**	**7,407**	**24,490**
At 31 December 1998	17,907	582	18,489

(i) The copyrights are held by Castle Copyrights Limited.

(ii) The purchased goodwill of £7,068,000 acquired during the year comprises £2,504,000 arising on the acquisition of Capital Industries PLC (CI), £3,456,000 goodwill included on the acquisition balance sheet of CI and £1,108,000 arising on CI's acquisition of Wasch Etiketten SJP Gmbh (Note 28).

15 Tangible fixed assets
(a) Group

	Land and buildings £000	Motor vehicles £000	Fixtures fittings and equipment £000	Plant and machinery £000	Total £000
Cost					
At 1 January 1999	2,853	521	2,842	–	6,216
On acquisition of subsidiary undertakings	13,060	402	2,759	32,719	48,940
Additions	775	218	1,307	501	2,801
Exchange differences	(250)	(6)	(32)	(439)	(727)
Disposals	(29)	(353)	(13)	(460)	(855)
At 31 December 1999	16,409	782	6,863	32,321	56,375
Depreciation					
At 1 January 1999	53	392	2,270	–	2,715
On acquisition of subsidiary undertakings	643	192	1,875	11,828	14,538
Provision for the year	138	147	488	1,527	2,300
Exchange differences	(17)	(4)	(17)	(82)	(120)
Disposals	(23)	(303)	(57)	(297)	(680)
At 31 December 1999	794	424	4,559	12,976	18,753
Net book amount					
At 31 December 1999	**15,615**	**358**	**2,304**	**19,345**	**37,622**
At 31 December 1998	2,800	129	572	–	3,501

The net book amount of assets acquired under finance leases included in the Group balance sheet at 31 December was £1,534,000 (1998: £83,000) and relates primarily to plant and machinery.

Notes to the financial statements continued

15 Tangible fixed assets continued

(b) Company

	Land and buildings £000	Motor vehicles £000	Fixtures fittings and equipment £000	Total £000
Cost				
At 1 January 1999	2,822	108	406	3,336
Additions	314	–	229	543
Disposals	–	(108)	–	(108)
At 31 December 1999	3,136	–	635	3,771
Depreciation				
At 1 January 1999	40	93	287	420
Provision for the year	10	10	52	72
Disposals	–	(103)	–	(103)
At 31 December 1999	50	–	339	389
Net book amount				
At 31 December 1999	**3,086**	**–**	**296**	**3,382**
At 31 December 1998	2,782	15	119	2,916

(c) Net book amount of land and buildings

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Freehold	**14,879**	2,782	**3,086**	2,782
Short leasehold	**736**	18	**–**	–
Net book amount	**15,615**	2,800	**3,086**	2,782

16 Fixed asset investments

(a) Group

	1999 £000	1998 £000
Associated undertakings	**12,368**	18,533
Own shares	**–**	83
Listed investments	**8,641**	14,255
Unlisted investments	**133**	122
	21,142	32,993

The movement in investments comprises:

	Associated undertakings £000	Own shares £000	Listed investments £000	Unlisted investments £000	Total £000
At 1 January 1999	18,533	83	14,255	122	32,993
Additions	–	–	16	11	27
Reclassification of associated interests to subsidiary undertakings	(5,090)	–	–	–	(5,090)
Proceeds of disposal of other investments	–	(69)	(6,004)	–	(6,073)
Amortisation	–	(14)	–	–	(14)
Profit on disposal	–	–	374	–	374
Share of post acquisition retained reserves	(756)	–	–	–	(756)
Currency translation differences	(319)	–	–	–	(319)
At 31 December 1999	**12,368**	**–**	**8,641**	**133**	**21,142**

(i) Associated undertakings at 31 December 1999 comprise the Group's share of the net assets of Cape PLC, further details of which are given in Note 16(d). In May 1999 the Company completed the acquisition of the remaining 61% equity interests in Capital Industries PLC, following which it has been consolidated as a subsidiary undertaking.

(ii) Own shares included in the Group and Company investments comprise ordinary shares of 1p each in the Company, further details of which are given in Note 16(e).

(iii) Listed investments included in the consolidated balance sheet comprises £8.6 million in respect of the investment in 10% of the equity interests in Lindsey Morden Group Inc., which is listed on The Toronto Stock Exchange.

(iv) Unlisted investments comprise minority holdings in certain companies where development capital investments have been made.

Notes to the financial statements continued

16 Fixed asset investments continued

(b) Company

	Loans to group undertakings £000	Shares in group undertakings £000	Own shares £000	Listed investments £000	Unlisted investments £000	Total £000
Cost						
At 1 January 1999	–	20,320	859	41,074	1,620	63,873
Additions	4,038	15,697	–	–	–	19,735
Disposals	–	–	(859)	(5,535)	(170)	(6,564)
Reclassification	–	9,257	–	(9,257)	–	–
At 31 December 1999	4,038	45,274	–	26,282	1,450	77,044
Amounts provided						
At 1 January 1999	–	101	776	–	1,620	2,497
Amortisation	–	–	14	–	–	14
Amounts written off	–	800	–	8,155	–	8,955
Disposals	–	–	(790)	–	(170)	(960)
At 31 December 1999	–	901	–	8,155	1,450	10,506
Net book amount						
At 31 December 1999	**4,038**	**44,373**	**–**	**18,127**	**–**	**66,538**
At 31 December 1998	–	20,219	83	41,074	–	61,376

(i) Listed investments included in the Company balance sheet at 31 December 1999 comprise the investments in Cape PLC and Lindsey Morden Group Inc. which are stated at market values of £9.5 million and £8.6 million respectively.

(ii) As a result of its acquisition and subsequent de-listing, the Company's investment in Capital Industries PLC has been reclassified from listed investments to that of shares in group undertakings.

(c) Capital Industries PLC (CI)

CI was listed on the London Stock Exchange until the acquisition by the Company of the remaining 61% of its equity interests in May 1999, following which CI was de-listed. The Group's share of the results for the period ended 14 May 1999 (1998 comparative – year ended 31 December 1998) attributable to CI while an associated undertaking comprises:

	1999 £000	1998 £000
Operating (loss)/profit (excluding exceptional items)	**(114)**	1,791
Net interest payable	**(260)**	(540)
(Loss)/profit before tax (excluding exceptional items)	**(374)**	1,251
Exceptional items	**(1,220)**	(1,786)
Loss before tax	**(1,594)**	(535)
Tax	**125**	170
Loss after tax	**(1,469)**	(365)

The summarised balance sheet of CI at 14 May 1999 (1998 – 31 December 1998) and the share attributable to the Group comprises:

	Group share		CI	
	1999 £000	1998 £000	1999 £000	1998 £000
Fixed assets	**13,085**	13,611	**33,707**	35,061
Current assets	**14,860**	15,673	**38,277**	40,374
	27,945	29,284	**71,984**	75,435
Creditors due within one year	**(13,761)**	(13,580)	**(35,448)**	(34,981)
Creditors due after one year and provisions	**(7,509)**	(7,470)	**(19,343)**	(19,308)
	(21,270)	(21,050)	**(54,791)**	(54,289)
Net assets	**6,675**	8,234	**17,193**	21,146
Non-equity shareholders' funds	**(1,585)**	(1,585)	**(4,082)**	(4,082)
Equity shareholders' funds	**5,090**	6,649	**13,111**	17,064

(d) Cape PLC (Cape)

Cape is listed on the London Stock Exchange. The market value of the Company's 25% shareholding at 31 December 1999 was £9.5 million (1998: £11.3 million). The Group's share of the results for the year ended 31 December 1999 attributable to Cape comprises:

	1999 £000	1998 £000
Operating profit (excluding exceptional items)	**2,654**	3,574
Net interest payable	**(281)**	(250)
Profit before tax (excluding exceptional items)	**2,373**	3,324
Exceptional items	**–**	(941)
Profit before tax	**2,373**	2,383
Tax	**(701)**	(791)
Profit after tax	**1,672**	1,592

The summarised profit and loss account of Cape for the year ended 31 December 1999 comprises:

	1999 £m	1998 £m
Turnover (Group share 1999: £58.3m, 1998: £59.7m)	**233.2**	238.6
Operating profit (excluding exceptional items)	**10.2**	13.1
Net interest payable	**(1.1)**	(1.0)
Profit before tax (excluding exceptional items)	**9.1**	12.1
Exceptional items	**–**	(3.3)
Profit before tax	**9.1**	8.8
Tax	**(2.7)**	(2.8)
Profit after tax	**6.4**	6.0

Tax in 1998 includes a credit of £0.9 million attributable to exceptional items.

Notes to the financial statements continued

16 Fixed asset investments continued

(d) Cape PLC (Cape) continued

The summarised balance sheet of Cape at 31 December 1999 and the share attributable to the Group comprises:

	Group share		Cape	
	1999 £m	1998 £m	1999 £m	1998 £m
Fixed assets	**11.7**	11.3	**46.9**	45.3
Current assets	**25.1**	24.2	**100.5**	94.8
	36.8	35.5	**147.4**	140.1
Creditors due within one year	**(19.3)**	(18.6)	**(77.5)**	(74.6)
Creditors due after one year and provisions	**(5.1)**	(5.0)	**(14.7)**	(11.9)
	(24.4)	(23.6)	**(92.2)**	(86.5)
Net assets	**12.4**	11.9	**55.2**	53.6
Shareholders' funds				
Equity	**12.1**	11.6	**54.9**	53.3
Non-equity	**0.3**	0.3	**0.3**	0.3
Total shareholders' funds	**12.4**	11.9	**55.2**	53.6

Rutland Trust's share of fair value provisions made on acquisition of Cape in 1996, relating to the recognition of the pension fund surplus and provisions for compensation claims for industrial disease, have been utilised in the year ending 31 December 1999 as follows:

	Pension fund surplus £m	Industrial disease £m
Unutilised at 1 January 1999	3.6	(8.9)
Utilised during the year	(1.2)	3.2
Unutilised at 31 December 1999	**2.4**	**(5.7)**

Under a Services Agreement dated 19 June 1996, Cape has paid Rutland Trust an annual management fee. During the year ended 31 December 1999, the fee paid was £250,000.

(e) Own shares

Under the terms of the Rutland Trust Central Share Incentive Plan (RT Plan) 1,500,000 shares in Rutland Trust PLC were purchased during 1997 and held by an employee share ownership trust (the Trust), an independently managed trust. On 13 December 1999 1,323,311 shares were exercised under the RT Plan and the shares transferred to the participants at nil cost when the market value per share was 39 pence. On the same day the remaining 176,689 shares were sold in the market at 39 pence per share. No shares remain held by the Trust.

The cost of the shares has been amortised over three years and charged to operating profit and administration costs expensed as incurred. The Trust has waived its rights to dividends on these shares. Further details relating to the RT Plan are set out in the Report of the Remuneration Committee on page 15.

17 Stock and work in progress

	Group 1999 £000	Group 1998 £000
Raw materials and consumables	**5,561**	–
Stock of finished goods and goods held for resale	**6,397**	1,191
Work in progress	**3,105**	–
	15,063	1,191

18 Debtors

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Trade debtors	**27,046**	4,268	**4**	41
Amounts receivable on disposal of businesses	**–**	190	**–**	190
Amounts owed by group undertakings	**–**	–	**5,987**	2,630
Loan notes receivable	**15,000**	15,000	**15,000**	15,000
Other debtors	**6,617**	4,202	**77**	849
Prepayments and accrued income	**2,776**	1,931	**1,250**	1,550
Corporation tax recoverable	**468**	–	**–**	–
ACT recoverable	**–**	89	**–**	89
	51,907	25,680	**22,318**	20,349

(i) The loan notes, which were issued by Chaudfontaine Limited in connection with the disposal of Benjamin Shaw and Sons Limited in 1998, are guaranteed by Bank of Scotland and ING Bank NV, and carry a coupon at the rate of 3 month LIBOR. The loan notes are to be redeemed in part in five equal quarterly instalments of £392,000 commencing on 31 March 2000, with any outstanding balance redeemed in full by 30 June 2001. Rutland also may redeem the loan notes on 60 days' notice any time after 10 December 1999.

(ii) Prepayments and accrued income include a final dividend for 1999 receivable from Cape PLC of £509,000 (1998: £509,000).

Notes to the financial statements continued

19 Borrowings

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Due within one year				
Bank overdrafts and loans repayable within three months	14,362	–	–	–
Debt financing obligations	9,652	–	–	–
Vendor loan notes	4,250	4,574	4,250	4,574
Obligations under finance leases and hire purchase agreements	322	53	–	–
	28,586	4,627	4,250	4,574
Due after more than one year				
Bank loans	8,311	–	–	–
Obligations under finance leases and hire purchase agreements	452	13	–	–
	8,763	13	–	–
Total borrowings	37,349	4,640	4,250	4,574
Borrowings are repayable:				
Within one year	28,586	4,627	4,250	4,574
Between one and two years	491	13	–	–
Between two and five years	8,058	–	–	–
After more than five years	214	–	–	–
	37,349	4,640	4,250	4,574
Net obligations under finance leases and hire purchase agreements are repayable:				
Within one year	322	53	–	–
Between one and two years	452	13	–	–
	774	66	–	–

(i) The vendor loan notes are repayable on 13 December 2009, or earlier on three months' notice by either the Company or the loan note holders.

(ii) The Capital Industries Group has bank borrowings totalling £22.7 million which are secured by fixed and floating charges on the assets of a number of its subsidiaries. Subsidiaries of Capital Industries also have debt financing agreements in respect of their trade debtors. Under the terms of the agreements, the finance providers have a right to require the subsidiaries to repurchase any of the debtors not settled. This financing is secured over the book debts of the subsidiaries, and at 31 December 1999 the total amount of discounted debts was £9.7 million.

20 Other creditors falling due within one year

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Trade creditors	21,477	6,748	144	248
Amounts owed to group undertakings	–	–	965	690
Corporation tax	1,560	9,900	1,608	9,472
Advance corporation tax	–	243	–	243
Other taxes and social security	846	314	44	72
Other creditors	1,646	–	–	–
Accruals and deferred income	5,352	5,548	1,321	4,012
Proposed dividends	4,238	4,213	4,238	4,213
	35,119	26,966	8,320	18,950

21 Provisions for liabilities and charges

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Deferred tax				
Accelerated capital allowances	**1,285**	1,454	**–**	(30)
Disposal of businesses	**6,000**	6,600	**6,000**	6,600
Other timing differences	**322**	352	**–**	30
	7,607	8,406	**6,000**	6,600
Fundamental reorganisation	**549**	957	**549**	957
Reorganisation, closure and relocation provisions	**1,758**	–	**–**	–
	9,914	9,363	**6,549**	7,557

Deferred tax was stated at full potential liability at 31 December 1998. At 31 December 1999 the amount unprovided in respect of Group deferred tax was £548,000, comprising accelerated capital allowances of £2,119,000 less other timing differences of £1,571,000. The Company had no unprovided deferred tax at 31 December 1999 (1998: £nil).

Movements in deferred tax comprise:

	Group £000	Company £000
At 1 January 1999	8,406	6,600
Profit and loss account	(799)	(600)
At 31 December 1999	**7,607**	**6,000**

Movements in other provisions comprise:

	Group	Group & Company
	Reorganisation closure and relocation £000	Fundamental reorganisation £000
At 1 January 1999	–	957
On acquisition of subsidiary undertakings	3,453	–
Utilised	(1,695)	(408)
At 31 December 1999	**1,758**	**549**

(i) The provisions for reorganisation, closure and relocation relate to the Capital Industries Group and comprise £344,000 in respect of the transfer of Coppice's Birmingham production activities to South Wales and the subsequent closure of its Birmingham operations, and £1,414,000 in respect of the restructuring of the SJP Group. It is anticipated that the provisions will be fully utilised in 2000.

(ii) The provision for fundamental reorganisation relates to the corporate restructure of Rutland Trust which is expected to be fully utilised in 2000.

22 Guarantees and secured creditors

Rutland Trust has given no guarantees in respect of the Group. Details of secured creditors are given in Note 19.

Notes to the financial statements continued

23 Share capital

The authorised, issued, called up and fully paid share capital of the Company comprises ordinary shares of 1p each, which are only equity shares. The movements during the year were:

	Number	£000
Authorised		
At 1 January 1999 and at 31 December 1999	**390,000,000**	**3,900**
Issued, called up and fully paid		
At 1 January 1999	302,664,013	3,027
Purchase of own shares for cancellation	(20,233,522)	(203)
Exercise of share options	76,255	1
At 31 December 1999	**282,506,746**	**2,825**

(i) On 29 September 1999, 20,233,522 shares were purchased in the market for cancellation at 41 pence per share.

(ii) 50,000 share options were exercised during the year under the Rutland Trust PLC Executive Share Option Scheme at 20.5 pence per share. 26,255 share options were exercised under the Rutland Trust 1996 Share Savings Scheme at 47.5 pence per share.

(iii) The middle market quotation of the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 41.5 pence at 31 December 1999 and the range for the year was 36.25 pence to 47.25 pence.

24 Share options

(a) Rutland Trust PLC Executive Share Option Scheme

The Executive Share Option Scheme, which was established in March 1986, permits the grant to selected employees, including executive directors, of non-performance related options to acquire ordinary shares in the Company at not less than the market value of a share at the date of grant. Options may be exercised between three and ten years after the date of grant. Options under this scheme were outstanding as follows:

Exercisable from	Exercisable to	Exercise price (pence)	Outstanding at 1 January 1999	Exercised	Lapsed	Outstanding at 31 December 1999
17/3/1992	16/3/1999	45.00	83,921	–	(83,921)	–
16/4/1996	15/4/2003	20.50	2,305,000	(50,000)	–	**2,255,000**
16/10/1998	15/10/2005	37.00	250,000	–		**250,000**
			2,638,921	(50,000)	(89,921)	**2,505,000**

(b) The Rutland Trust 1996 Share Savings Scheme (Sharesave Scheme)

Options granted under the Sharesave Scheme are exercisable at a price of 47.5 pence per share, as set out on page 15.
Options under the Sharesave Scheme were outstanding as follows:

Exercisable from	Exercisable to	Exercise price (pence)	Outstanding at 1 January 1999	Exercised	Lapsed	Outstanding at 31 December 1999
1/2/2002	31/7/2002	47.5	1,692,394	(26,255)	(1,437,355)	**228,784**

25 Reserves

(a) Group

	Share premium account £000	Capital redemption reserve £000	Capital reserves £000	Profit and loss account £000
At 1 January 1999	27,617	108	28,410	88,213
Exercise of share options	22	–	–	–
Purchase of own shares for cancellation	–	203	(8,354)	–
Currency translation differences	–	–	–	(464)
Retained profit for the financial year	–	–	–	307
At 31 December 1999	**27,639**	**311**	**20,056**	**88,056**

The capital redemption reserve represents the cumulative nominal value of shares acquired for cancellation.

The cumulative amount of goodwill written off resulting from acquisitions during prior years, net of goodwill which has been written back in respect of subsidiary undertakings or businesses disposed of prior to 31 December 1999, is £17,330,000 (1998: £17,330,000).

The currency translation differences comprise the Group's share of differences on foreign currency net investments and foreign currency borrowings.

The Group profit and loss account includes retained profits attributable to associated undertakings at 31 December 1999 of £2,421,000 (1998: £5,777,000) after absorbing net retained losses for the year of £756,000, currency translation differences of £319,000 and releasing £2,281,000 following the acquisition of Capital Industries during the year. At 31 December 1999 Cape PLC was the only associated undertaking.

(b) Company

	Share premium account £000	Capital reserves £000	Other reserve £000	Profit and loss account £000
At 1 January 1999	27,617	108	45,740	80,286
Exercise of share options	22	–	–	–
Purchase of own shares for cancellation	–	203	(8,354)	–
Deficit for the financial year	–	–	–	(6,620)
At 31 December 1999	**27,639**	**311**	**37,386**	**73,666**

No profit and loss account is presented for the Company as provided by Section 230 of the Companies Act 1985. The Group profit attributable to shareholders includes a deficit after tax in respect of the Company of £837,000 (1998: profit £74,672,000), after making an impairment provision of £8,955,000 in respect of certain investments in accordance with Financial Reporting Standard 11.

The directors have reviewed for impairment the remaining fixed assets of the Company and are satisfied that these assets are appropriately stated in the financial statements.

The other reserve of £37,386,000 (1998: £45,740,000) comprises a distributable revenue reserve for the purposes of Section 264 of the Companies Act 1985.

Notes to the financial statements continued

26 Notes to the consolidated cash flow statement

(a) Returns on investments and servicing of finance

	1999 £000	1998 £000
Interest received	**5,866**	4,414
Interest paid	**(1,309)**	(1,244)
Dividends received from associated undertakings	**959**	1,322
Other investment income	**610**	6
Minority shareholder financing/(payments)	**150**	(308)
Net cash inflow from returns on investments and servicing of finance	**6,276**	4,190

(b) Capital expenditure and financial investment and disposals

	1999 £000	1998 £000
Capital expenditure	**(2,803)**	(5,601)
Proceeds of sale of fixed assets	**298**	509
Purchase of fixed asset investments	**(27)**	–
Proceeds of sale of fixed asset investments	**6,073**	–
Net cash inflow/(outflow) from capital expenditure and financial investment and disposals	**3,541**	(5,092)

(c) Acquisitions and disposals

	1999 £000	1998 £000
Sale of businesses	**–**	109,550
Net overdrafts disposed with subsidiaries	**–**	20,116
Purchase of subsidiary undertakings	**(17,215)**	(17,957)
Net cash acquired with subsidiaries	**–**	88
Net cash (outflow)/inflow from acquisitions and disposals	**(17,215)**	111,797

(d) Financing

	1999 £000	1998 £000
Issue of share capital	**23**	259
Purchase of own shares for cancellation	**(8,354)**	–
Repayment of loan notes	**(324)**	(66)
Lease financing	**(343)**	(644)
Increase in bank borrowings and debt financing	**1,569**	1,712
Net cash (outflow)/inflow from financing	**(7,429)**	1,261

(e) Analysis of net funds

	At 1 January 1999 £000	Cash flow £000	Currency translation differences £000	Other non cash changes £000	Acquisition of subsidiaries (excluding cash and overdrafts) £000	At 31 December 1999 £000
Cash at bank and in hand	106,490	(35,236)	(59)	–		**71,195**
Overdrafts	–	–	–	–	–	**–**
	106,490	(35,236)	(59)	–	–	**71,195**
Borrowings due within one year	(4,627)	(902)	309	(7,140)	(16,226)	**(28,586)**
Borrowings due after one year	(13)	–	–	7,140	(15,890)	**(8,763)**
	(4,640)	(902)	309	–	(32,116)	**(37,349)**
Total	101,850	(36,138)	250	–	(32,116)	**33,846**

(f) Major non-cash transactions

There were no significant non-cash transactions in 1999. Part of the consideration for the disposal of businesses in 1998 was satisfied by the receipt of £14,250,000 in shares and £15,000,000 in loan notes. Further details are set out in Note 29.

27 Principal subsidiary and associated undertakings

The Group's principal subsidiary undertakings at 31 December 1999 which were included in the consolidated financial statements were:

	Proportion of shares held Direct %	Indirect %	Proportion of voting rights held %
Capital Industries PLC (holding company)	96	4	100
SJP (UK) Limited (manufacturer of self-adhesive label products)	–	100	100
SJP (Suisse) S.A. (manufacturer of self-adhesive label products)	–	100	100
Wasch Etiketten SJP Gmbh (printer and converter of label products)	–	100	100
Hovat Limited (printer and converter of label products)	–	100	100
Coppice Alupack Limited (manufacturer of aluminium foil containers)	–	100	100
Law 961 Limited (holding company for music business)	–	85	85
AEC Holdings (UK) Limited (music)	–	85	85
Castle Music Limited (music)	–	85	85
Castle Copyrights Limited (music)	–	85	85

SJP (Suisse) S.A. is registered and operates in Switzerland. Wasch Etiketten SJP Gmbh is registered and operates in Germany. All other subsidiary undertakings are registered and operate in England.

The Group's principal associated undertaking at 31 December 1999, which is registered and operates in England, was:

	Ordinary share capital £	Proportion of shares held %
Cape PLC (manufacturer of building products and provider of industrial services)	543,258	25.0

28 Acquisitions

(a) Acquisition of Capital Industries PLC

On 14 May 1999 the Company completed the acquisition of the remaining 61.1% of the equity share capital of its 38.9% associated undertaking Capital Industries PLC (CI), together with its entire preference share capital. The total additional consideration was £14.6 million, which was satisfied wholly in cash. The fair value of net assets attributable to CI on acquisition was as follows:

	Note	£000
Intangible fixed assets		3,456
Tangible fixed assets		30,251
Stock		13,054
Debtors		25,223
Cash		–
Short term borrowings		(16,072)
Other creditors due within one year		(19,376)
Long term borrowings		(15,890)
Provisions		(3,453)
Fair value of net assets on acquisition		17,193
Reclassification of net assets from associated interests to subsidiary undertakings	16a	(5,090)
Goodwill		2,504
Consideration		14,607

Notes to the financial statements continued

28 Acquisitions continued

(a) Acquisition of Capital Industries PLC continued

(i) The Companies Act 1985 normally requires goodwill arising on the acquisition of a subsidiary undertaking to be calculated as the difference between the total acquisition cost of the undertaking and the fair value of the Group's share of the identifiable assets and liabilities at the date it became a subsidiary undertaking. FRS 2 recognises that, where an investment in an associated undertaking is increased and it becomes a subsidiary undertaking, in order to show a true and fair view goodwill should be calculated on each purchase as the difference between the cost of that purchase and the fair value of the net assets acquired at the date of that purchase.

If goodwill had been calculated in accordance with the basis set out in the Companies Act 1985, £1,650,000 of the Group's share of the retained earnings of CI would have been reclassified as goodwill and in total negative goodwill of of £936,000 would have been recognised.

(ii) In July 1999, CI acquired the assets and liabilities of Wasch Etiketten SJP GmbH for a total consideration of £2,608,000. The fair value of the net assets on acquisition was £1,500,000, comprising tangible fixed assets of £4,151,000, stock of £878,000, borrowings of £154,000 and other net liabilities of £3,375,000, which gave rise to goodwill on acquisition of £1,108,000.

The summarised profit and loss account of CI for the financial period prior to acquisition on 14 May 1999, and the previous financial year, all comprising recognised gains or losses, is:

	1 January – 14 May 1999 £000	1 January – 31 December 1998 £000
Turnover	38,091	98,791
Operating (loss)/profit (excluding exceptional items)	(293)	4,616
Net interest payable	(671)	(1,393)
(Loss)/profit before tax (excluding exceptional items)	(964)	3,223
Exceptional items	(3,142)	(4,600)
Loss before tax	(4,106)	(1,377)
Tax	321	439
Loss after tax	(3,785)	938

In the period between 14 May 1999 and 31 December 1999, CI absorbed £0.5 million from operating activities, paid £1.1 million in interest, spent £1.0 million on capital investment, acquired Wasch Etiketten SJP Gmbh for £2.6 million, and received £6.8 million of financing including £5.5 million from Rutland Trust to fund the acquisition of Wasch and provide working capital.

(b) 1998 acquisition – AEC Holdings (UK) Limited

On 20 July 1998 the Company completed the acquisition of the whole of the share capital of AEC Holdings (UK) Limited (AECH) for a consideration of £18 million, which was satisfied wholly in cash. The fair value of net assets attributable to AECH on acquisition was as follows:

	£000
Intangible fixed assets	18,112
Tangible fixed assets	583
Stock	1,193
Debtors	6,085
Cash	88
Short term borrowings	(91)
Other creditors due within one year	(7,188)
Creditors due after one year and provisions	(1,422)
Net assets on acquisition	17,360
Goodwill	597
Consideration	17,957

29 Disposal of businesses in 1998

	MTS (Holdings) Limited £000	E&B Holdings Limited £000	Benjamin Shaw & Sons (Holdings) Limited £000	Other £000	Total £000
Fixed assets	57,345	7,446	5,392	1,381	71,564
Stock	973	11,990	1,491	3,061	17,515
Debtors	9,022	11,607	3,279	3,754	27,662
Net overdrafts	(309)	(16,878)	(3,135)	206	(20,116)
Other borrowings due within one year	(8,333)	(130)	(10)	–	(8,473)
Other creditors due within one year	(5,219)	(10,015)	(4,570)	(5,617)	(25,421)
Borrowings due after one year	(20,162)	–	–	–	(20,162)
Provisions	–	–	(42)	–	(42)
Net assets on disposal	33,317	4,020	2,405	2,785	42,527
Minority interests	–	–	(321)	–	(321)
Goodwill released on disposal	5,129	5,770	1,126	6,699	18,724
Other write-offs	–	2,300	–	–	2,300
Profit on disposal	30,531	41,024	13,617	(9,412)	75,760
Consideration	68,977	53,114	16,827	72	138,990

(i) The disposal of MTS (Holdings) Limited was completed on 27 February 1998. The disposal of E&B Holdings Limited was completed on 30 October 1998. The disposal of Benjamin Shaw & Sons (Holdings) Limited was completed on 10 December 1998. Other disposals comprise the entire equity interests in Hunter & Partners Group Limited and Rutland Motor Holdings Limited, both in December 1998.

(ii) Consideration was satisfied by:

	MTS (Holdings) Limited £000	E&B Holdings Limited £000	Benjamin Shaw & Sons (Holdings) Limited £000	Other £000	Total £000
Shares in Lindsey Morden Group Inc.	–	14,250	–	–	14,250
Loan notes receivable	–	–	15,000	–	15,000
Other debtors	–	–	–	190	190
Cash	68,977	38,864	1,827	(118)	109,550
	68,977	53,114	16,827	72	138,990

30 Minority interests

	Group	
	1999 £000	1998 £000
Equity interests	**150**	–
Non-equity interests	–	–
	150	–

31 Capital commitments

	Group		Company	
	1999 £000	1998 £000	1999 £000	1998 £000
Capital commitments contracted but not provided for	**69**	295	–	295

Notes to the financial statements continued

32 Pension commitments

The Group's principal pension scheme is the Samuel Jones Pension Scheme (the "Scheme") operated by SJP (UK) Limited. This scheme is a funded defined benefits scheme with assets held in separate trustee administered funds. The Group's principal pension scheme cost for the year was £285,000.

The pension expense was determined following an actuarial valuation of the Scheme at 6 April 1998 by Punter Southall & Co, consulting actuaries, using the projected unit method. The principal actuarial assumptions adopted for the purpose of SSAP 24 in the valuation were: a long-term rate of return from investments of 8.5 per cent per annum; salary increases of 5.75% per annum; and an allowance for increases in pensions at the rate of 3.75% per annum. The value of the assets were determined based on their smoothed market value.

At the valuation date, the actuarial value of the assets on this basis was sufficient to cover 91.6% of the benefits that had accrued to members in the Scheme. The market value of the Scheme's assets at 6 April 1998 amounted to £24.0 million. The Scheme was not fully funded at 6 April 1998, however SJP (UK) Limited pays additional contributions in accordance with the recommendations of the actuaries to return the fund to a fully funded position.

33 Operating lease commitments

	Land and buildings £000	Other £000	Total £000
Operating leases expiring:			
Within one year	380	346	726
Between two and five years	114	472	586
After more than five years	934	–	934
	1,428	818	2,246

34 Contingent liabilities

The directors believe the possibility of any transfer in settlement of the Group's contingent liabilities to be remote.

35 Financial instruments

(a) Narrative disclosure

The Company invests in the shares and securities of quoted and unquoted companies, both within the UK and worldwide. The nature of these investments is more fully described in the Investment Review on pages 6 to 8. The Group's financial instruments, including those of the subsidiary companies whose balance sheets are included in the Group's consolidated balance sheet at 31 December 1999, mainly comprise cash balances and short-term bank deposits, bank overdrafts, loan facilities and other borrowings and various debtors and creditors that arise directly from its operations. The Group has not taken out any derivative instruments to date. The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk.

(i) Interest rate risk

The Group's net revenue will be affected by changes in prevailing interest rates since a substantial amount of its net assets and liabilities are in the form of variable rate bank deposits or borrowings. Interest rate risk profiles for financial assets and liabilities are shown below, and exclude short term debtors and creditors.

(ii) Foreign currency risk

The Group is exposed to currency risk since a proportion of the financial assets and liabilities of the Group's subsidiary businesses are denominated in foreign currency and their sterling value can be significantly affected by movements in foreign exchange rates. The foreign subsidiaries, which are subsidiaries of Capital Industries PLC, operate in Switzerland and Germany. Details of foreign currency bank borrowings are given below. A hedging mechanism is in place whereby a back to back deposit and loan of £4.8 million and CHF 11 million respectively effectively fixes the exchange rate on CHF 11 million of Swiss assets at CHF 2.29 : £1.

(b) Interest rate risk of financial assets and liabilities

(i) Financial assets of the Group

	Floating rate £000
Cash deposits – Sterling	70,355
Bank guaranteed loan notes – Sterling	15,000
Foreign currency deposits – Swiss francs	478
Foreign currency deposits – Deutschmarks	362
	86,195

No financial assets of the Group have a fixed rate. The sterling cash deposits had a weighted average interest rate at 31 December 1999 of 5.6% and a weighted average deposit period of 50 days. The bank guaranteed loan notes earn interest at a rate of three month LIBOR fixed quarterly in advance.

(ii) Financial liabilities of the Group

	Floating rate £000
Bank borrowings – Sterling	26,552
Unsecured loan notes – Sterling	4,250
Bank borrowings – Swiss francs	5,773
	36,575

The financial liabilities had a weighted average interest rate at 31 December 1999 of 5.9%. The maturity profile of the financial liabilities at 31 December 1999 was:

	£000
Within one year	28,264
Between one and two years	39
Between two and five years	8,058
After more than five years	214
	36,575

At 31 December 1999 the carrying values of all the Group's financial instruments were their fair values.

(c) Foreign currency risk

The foreign currency net assets of the Group at 31 December 1999 comprised:

	Assets £000	Liabilities £000	Net £000
Canadian dollars	8,641	–	8,641
Swiss francs	14,821	(8,310)	6,511
Deutschmarks	10,038	(7,516)	2,522
US dollars	1,295	–	1,295
French francs	1,038	(9)	1,029
Other	1,782	(471)	1,311
	37,615	(16,306)	21,309

Notes to the financial statements continued

36 Subsequent events

(a) Disposal of Law 961 Limited

On 30 March 2000, the Company announced the conditional disposal of the entire share capital of Law 961 Limited (Law), the parent company of Castle Music Limited, for a total consideration of £46 million. The following table illustrates the effect of the disposal of Law on the consolidated net assets of the Group, based on the audited consolidated balance sheet as at 31 December 1999.

	Group at 31 December 1999 £m	Law at 31 December 1999 £m	Disposal adjustments £m	Group after disposal £m
Fixed assets	83.2	(18.9)	–	64.3
Cash	71.2	(0.9)	40.0	110.3
Other current assets	67.0	(13.3)	–	53.7
Borrowings due within one year	(28.6)	–	–	(28.6)
Other creditors due within one year	(35.1)	12.7	(3.4)	(25.8)
Borrowings due after one year	(8.8)	–	–	(8.8)
Provisions	(9.9)	1.3	–	(8.6)
Net assets	139.0	(19.1)	36.6	156.5

(i) The figures relating to the Group have been extracted from the audited consolidated balance sheet of the Group as set out on page 21.

(ii) The adjustments relating to the disposal of Law include certain estimated amounts and comprise:

- the elimination of those figures included in the consolidated balance sheet at 31 December 1999 that relate to Law;
- the estimated net cash proceeds of £40.0 million representing total consideration of £46.0 million less the deduction of related transaction costs and £4.6 million to Law management shareholders for their share of the equity of Law. The net proceeds due to Rutland represent £18.2 million for Rutland's share of the equity in Law, settlement of inter-company indebtedness to Rutland of £3.4 million and £18.4 million in respect of Rutland's non-equity interests.

(b) Pro-forma net assets statement at 27 March 2000

The following statement is presented to show a pro-forma net asset value per share as at 27 March 2000 based on Investment Trust accounting principles and after taking into account the disposal of Law 961 Limited as described in Note 36(a). Cash includes the £40.0 million net proceeds of disposal of Law 961 Limited and provision for related central management bonus awards.

	£m
Fixed assets – investments	
Subsidiary undertakings	26.4
Listed in UK	7.5
Listed outside UK	7.1
	41.0
Other tangible fixed assets	3.4
	44.4
Current assets	
Other debtors	1.3
Guaranteed loan notes	15.0
Cash at bank and in hand	108.7
	125.0
Current liabilities	
Borrowings	(4.3)
Other creditors falling due within one year	(8.8)
	(13.1)
Net current assets	111.9
Net assets	**156.3**
Shares in issue (m)	282.5
Net asset value per share (p)	**55.3**

The pro-forma statement assumes that the realisation of any of the investments under investment trust status would not give rise to a charge to tax.

Notice of annual general meeting

Notice is hereby given that the twentieth Annual General Meeting of the Company will be held at Rutland House, Rutland Gardens, London SW7 on 16 May 2000 at 12 noon for the following purposes:

1 To receive and adopt the financial statements for the year ended 31 December 1999 and the reports of the directors and auditors thereon.

2 To elect as a non-executive director Mr OHJ Stocken (aged 58) who, having been appointed since the last Annual General Meeting, retires and being eligible offers himself for election.

3 To re-elect as a director Mr CB Dowling who retires by rotation and being eligible offers himself for re-election.

4 To re-elect as a non-executive director Mr A Cassels (aged 70) who retires by rotation and being eligible offers himself for re-election.

5 To approve the re-appointment of PricewaterhouseCoopers as auditors and to authorise the directors to fix their remuneration.

6 To declare a trading dividend on the ordinary shares for the year ended 31 December 1999.

Special Business
To consider and if thought fit pass the following Resolutions:

Ordinary Resolution

7 That the directors be generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 (as amended) ("the Act") to exercise any power of the Company to allot relevant securities (as defined by that Section) up to an aggregate maximum nominal amount equal to the authorised but unissued share capital of the Company immediately following the passing of this Resolution. This authority shall expire on 16 May 2005 but may previously be revoked or varied by the Company in general meeting. The Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement.

Special Resolutions

8 That during the period from the passing of this Resolution until the end of the Annual General Meeting of the Company to be held in 2001 or any adjournment thereof, the directors be and they are hereby empowered to make allotments of equity securities (within the meaning of Section 94(2) of the Act) pursuant to the general authority conferred by Resolution 7 above as if Section 89(1) of the Act did not apply to any such allotment provided always that the power hereby confirmed shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of holders of equity securities where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be practicable having regard to the interest of the Company as a whole) to the respective numbers of equity securities held by or attributable to them on the record date for such allotment; and

(b) to the allotment of equity securities pursuant to the rules of the following schemes in force from time to time;

(i) Rutland Trust PLC Executive Share Option Scheme;

(ii) Rutland Trust 1996 Share Savings Scheme;

(iii) Rutland Trust Central Share Incentive Plan; and

(c) to the allotment of equity securities (otherwise than in pursuance of sub-paragraph (a) above) up to an aggregate nominal value of £141,000; and subject as aforesaid the directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which will or might require equity securities to be allotted after the expiry of such power.

9 That in accordance with the provisions of Section 166 of the Act the Company be unconditionally authorised to make market purchases (as defined in Section 163 of the Act) of ordinary shares of 1p in the capital of the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be acquired is 42,000,000 (representing approximately 14.9 per cent of the issued ordinary share capital);

(b) the minimum price which may be paid for such shares is 1p per share;

(c) the maximum price which may be paid for such shares shall be not more than 5 per cent above the average of the middle market quotations for the ten business days prior to such purchase (in each case exclusive of expenses); and

(d) the authority granted by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company.

By Order of the Board
NA Moss
Secretary
13 April 2000

Notes

1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and such proxies need not be members. The instrument appointing a proxy must be deposited with the Company's registrars not less than 48 hours before the time for holding the meeting.

2 The register of directors' interests, kept by the Company in accordance with Section 325 of the Act, will be open for inspection at the Annual General Meeting.

3 Copies of the service contracts of the directors with the Company and/or its subsidiaries not expiring or determinable within one year will be available for inspection at the offices of Taylor Joynson Garrett at Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y ODX from 13 April to 16 May 2000 and at the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Corporate information

Directors

OHJ Stocken BA FCA*
Chairman

MRF Langdon MA FCA
Deputy Chairman/Chief Executive

CB Dowling BA ACA
Deputy Chief Executive

A Cassels CA*

RJJ Wickham FCIBS*

* non-executive

Registered Number
1491292 England

Secretary and Registered Office
N A Moss
Rutland House
Rutland Gardens
London SW7 1BX

Telephone 020 7225 3391
Facsimile 020 7225 1364
E-mail info@rutlandtrust.co.uk
Website www.rutlandtrust.com

Registrars
IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone 020 8639 2470
Facsimile 020 8658 3430

Auditors
PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

Stockbrokers
Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

Solicitors
Taylor Joynson Garrett
Carmelite
50 Victoria Embankment
Blackfriars
London EC4Y 0DX

Slaughter and May
35 Basinghall Street
London EC2V 5DB

Rutland Trust PLC
Rutland House
Rutland Gardens
London SW7 1BX

Telephone 020 7225 3391
Facsimile 020 7225 1364

E-mail: info@rutlandtrust.co.uk
Website: www.rutlandtrust.com