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INVESTMENT OBJECTIVE

Long-term capital appreciation, through investment primarily in equity and equity-related securities of companies benefiting from the economic growth of the Mediterranean Region.

Emphasis is placed on companies in the emerging markets of Portugal, Greece and Turkey and smaller companies in Spain, Italy and France. The Company also invests in companies outside Southern Europe which have significant operations within the Region.

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

DIRECTORS

Peter Sedgwick (Chairman)
is Vice Chairman of Schroders plc.

Josiane Pain
is a Director of Schroder Investment Management Limited.

Alonso Alvarez de Toledo y Urquijo
is an adviser and representative of J. Henry Schroder Bank in Spain.

Evangelista Ronchi*
is Chairman of Nuova Rayon Italia S.p.A. He is also the Chairman and founder of Sesamo S.p.A., a financial consultancy firm and of Nuove Technologie Grafiche S.p.A., a software and hardware firm.

Henri Chermont*
is Director of Research at stockbrokers Cheuvreux de Virieu in Paris.

Terry P Webb*
is Managing Director of RCB International Limited, a subsidiary of The Northern Trust Corporation.

Mark S Evans*
is a consultant to Credit Lyonnais Laing where he was formerly Head of U.K. Corporate Finance.

*Members of the Audit Committee and the Management Engagement Committee.

ADVISERS

SECRETARY

Schroder Investment Management Limited
Senator House, 85 Queen Victoria Street
London EC4V 4EJ

BANKERS

J. Henry Schroder & Co. Limited
120 Cheapside,
London EC2V 6DS

INVESTMENT MANAGER

Schroder Investment Management Limited
33 Gutter Lane
London EC2V 8AS

AUDITORS

Coopers & Lybrand
National Westminster House, Le Truchot,
St. Peter Port, Guernsey, GY1 4ND
Channel Islands

INVESTMENT ADVISERS

In Greece
Ergoinvest Advisers S.A.
13 Panepistimou Street, GR-105 64 Athens

In Portugal
ESER
Rua de S. Juliao 30, Lisbon

In Turkey
Ottoman Bank
35-37 Voyvoda Caddesi Karaköy, Istanbul

REGISTRAR & REGISTERED OFFICE

Schroder Investment Management
(Guernsey) Limited
Barfield House, St Julian's Avenue,
St. Peter Port, Guernsey, GY1 3QL
Channel Islands

INVESTOR INFORMATION

THE COMPANY

Schroder Mediterranean Fund Limited is an investment trust listed on the London Stock Exchange. It is one of a number of investment trusts managed and administered by Schroder Investment Management Limited, the fund management subsidiary of Schroders plc, the international merchant and investment banking group.

It is not intended that the Company should have a limited life, but the Directors consider it desirable that the Shareholders should have the opportunity to review the future of the Company at appropriate intervals. The Articles of Association provide that the first such opportunity for shareholders to review the future of the Company is at an Extraordinary General Meeting of shareholders to follow immediately the Annual General Meeting of the Company to be held on 7 May 1996. Notice of the Extraordinary General Meeting at which a special resolution to wind up the Company will be proposed is set out on page 32 of this document.

The final date for exercise of the Company's warrants was 31 December 1995. On that date a total of 2,199,900 warrants lapsed unexercised.

INFORMATION FOR SHAREHOLDERS

The price of the Company's shares is quoted daily in the Financial Times, the Times and the Daily Telegraph.

A factsheet containing information including the diversification of the portfolio and the Company's ten largest investments is published quarterly and is available to shareholders on request from the Secretary of the Company.

ASSOCIATION OF INVESTMENT TRUST COMPANIES

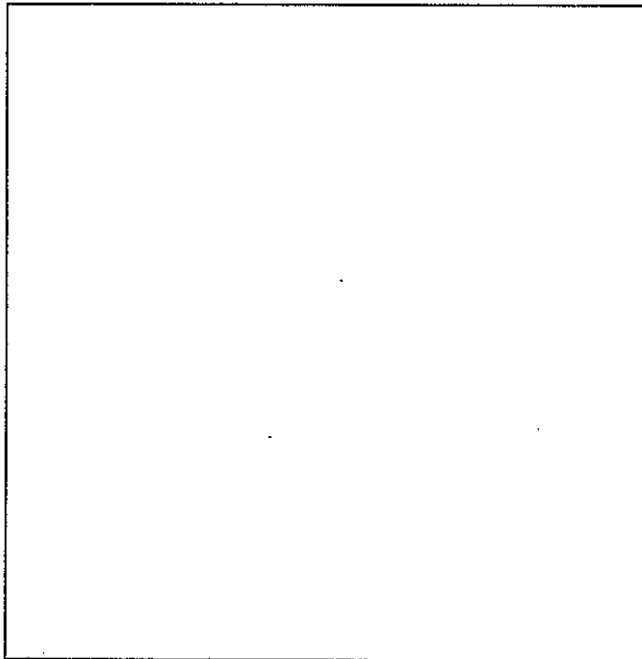
The Company is a member of the Association of Investment Trust Companies, which produces monthly publications of detailed information on the majority of investment trusts. Copies of these publications can be obtained by subscription on application to the Association of Investment Trust Companies, Durrant House, 8-13 Chiswell Street, London EC1Y 4YY.

SCHRODER INVESTMENT TRUST DEALING SERVICE

The Company's shares are included in the Schroder Investment Trust Dealing Service. The Service provides a convenient and cost effective means of investing in the shares of the Company and offers investors:

- a lump sum investment option from a minimum of £1,000
- daily dealing
- competitive charges
- the option to reinvest income

CHAIRMAN'S STATEMENT



For the period under review, we had expected the economic recovery to broaden and strengthen across Europe. However, the failure of the recovery to spread to the consumer sector, the muted economic recovery in the US and the negative impact of a weak US dollar on European exports undermined those expectations. At the same time, the EMU debate started casting an ever larger shadow across the economic landscape, with an increasing number of countries risking failure to meet the Maastricht criteria.

Later in the year, faced with

the economic weakening and the risk of EMU failure, European policy makers decided to cut interest rates further than was anticipated, in a bid to revive business and consumer confidence and economic growth.

The Bundesbank has remained key to monetary policy across the region, particularly in France which is still committed to the franc-fort policy. After a difficult 1995, the cyclical position of the countries in the Mediterranean region has improved now that the German economic cycle has come back into line with their own. The prospects of a period of monetary stability in Germany should mean that interest rates in these countries can be set at a level which is more appropriate to their own domestic needs.

Inflation remains subdued in the Mediterranean region, with the exception of Turkey, for yet another year. These economies are operating below their long-term potential which would indicate that inflation will stay under control in the medium term. Fiscal policy in the region continues to be guided by the Maastricht criteria, and has thus generally continued to be tight during the year. Nevertheless, the countries covered by the Company continue to have budget deficits in excess of the Maastricht target, implying that policy will continue to be tight.

The Turkish and Israeli economies fall outside the wider remit of the European Union and thus merit separate comment. Developments in these two countries have been very different. Turkey, after recovering from the economic and currency crisis of 1994, has experienced a sharp economic revival; however reform of the public sector and public finances remains unresolved. Consistent progress on this front will require a strong Government as some of the required measures will, no doubt, be painful. It cannot be emphasised too strongly how important the peace process is to the long term future and stability of Israel. Growth was strong but was not accompanied by rising inflation as the central bank judiciously tightened monetary policy. The current account deficit, however, deteriorated during the year as a result of the fast growth in imports.

OUTLOOK

1995 was a year when growth expectations disappointed but stockmarkets were supported by significant monetary easing. Looking ahead, the outlook for equity markets in 1996 remains positive. Given the absence of inflationary pressures and the need to stimulate growth, we expect a benign interest rate background, providing strong support for equity markets. Later in the year, as monetary stimulus begins to feed through into stronger economic activity, markets will start to focus on the earnings recovery. In addition to political developments, the wildcard for the performance of Mediterranean markets will be the prospects of individual countries in the context of European Monetary Union and the policy response of the respective authorities.

FUTURE OF THIS COMPANY

Your Directors have very carefully considered the future of the Company in the light of the Special Resolution to wind up the Company which, in accordance with the Articles of Association, we are required to put to the Extraordinary General Meeting on 7 May. In the course of our deliberations, we have consulted with major shareholders of the Company.

We are firmly of the view that the most appropriate course for the Company is to continue in its present form. The Company is the only investment trust specialising in investment in the stockmarkets of the Mediterranean region and we believe that in general these markets offer good long term growth prospects. Since the beginning of the current year performance in these markets has generated a significant increase in the Company's net asset value per share.

Relatively recently we have extended the markets in which the Company invests to include Israel and Morocco. Subject to shareholders' views expressed in the voting on the Special Resolution, your Directors intend to continue this policy of seeking to invest gradually into the newer emerging markets of the Mediterranean, and to focus more upon the smaller markets of the region.



Peter Sedgwick
Chairman

INVESTMENT MANAGER'S REVIEW

PERFORMANCE

At the end of December 1995, the net asset value per share stood at 329.18p. From 31 December 1994 to 31 December 1995 the net asset value expressed in sterling rose by 9.51%. Against a background of strong mainstream European markets and currencies, Mediterranean markets posted a positive return for the year but lagged the broader FT-Europe ex-UK Index principally because of the absence of currency gains enjoyed by the larger markets. In stockmarket terms, our portfolio performed well compared to local market indices. After a disappointing first half, the Mediterranean markets recovered in the latter part of the year and this development has continued in 1996 to the further benefit of the Company.

Market Review		
Country	Index	Performance in £ (% change)
France	SBF 120	9.7
Greece	MSCI Greece	11.0
Israel	MSCI Israel	22.7
Italy	BCI	3.9
Portugal	MSCI Portugal	-1.7
Spain	Madrid SE	22.8
Turkey	MSCI Turkey	-5.2

The performance of the **French** market during 1995 was volatile. The market started the year on a strong note as investors discounted the possibility of a change in economic policy ahead of the presidential elections, only to fall later on concerns about the apparent contradictions in the fiscal stance of the new Government. The currency was under pressure for much of the year, thus constraining the ability of the authorities to reduce interest rates in the face of a significant slowdown in economic activity. The outlook for corporate profitability has remained uncertain. Doubts about France's ability to meet the Maastricht criteria continued to plague the markets. More recently, the more generalised slowdown in Europe has allowed the French to ease monetary policy and bring rates more in line with German levels while keeping a stable currency.

Political considerations have played a key role once again in the performance of the **Greek** market. The market rallied in the first half of the year as investors' attention focused on a reasonable reporting season, low valuations and the improved performance in the economy regarding inflation and the fiscal deficit. Progress was checked in the second half by concerns about the health of the Prime Minister and scepticism about further economic progress.

The **Israeli** market performed very strongly during 1995. Economic activity during the year was strong, while the tough stance of the central bank on inflation and timely adjustments in interest rates helped to control inflation. Corporate profits were strong during the year and continued progress with the peace process, despite the assassination of the Israeli leader, was positive for the market.

The **Italian** market continued to be a bad performer during 1995. Once again, political uncertainties and worries about delays in reforms weighed heavily on the market. Investors' concerns about the failure of the authorities to maintain the momentum behind economic reform were reflected in a weakening currency and high interest rates. Additionally, Italy embarked in 1995 on an ambitious privatisation programme which drained liquidity from the market. A positive development during the year was the introduction to the market of a number of medium sized industrial companies with strong positions in export markets.

The level of investment in **Morocco** remained static at 1%. The Moroccan market was flat during 1995 as a result of lower than expected economic growth following a drought, and delays in the privatisation programme.

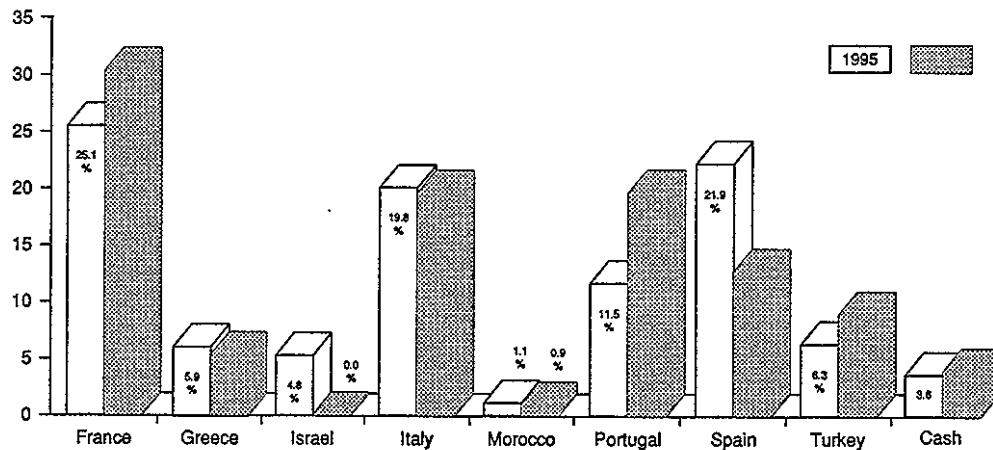
The **Portuguese** market performed disappointingly despite a continued improvement in the economy. Inflation and interest rates fell to historic lows, while the currency gained stability. On the negative side, 1995 saw sub-par growth implying a dull recovery in corporate profits for the year. Two main factors detracted from the market: a large privatisation programme and the nervousness ahead of the general elections held in October following which the Socialist party came to power.

Spain was the best performing market in the Mediterranean region following a number of years of poor performance. The market was supported by falling yields, positive economic data and expectations of political change. After a difficult start to the year, when an increase in inflation and currency turbulence in Europe triggered a sharp correction, the market recovered strongly. It offered an attractive valuation level and a reasonably robust outlook for corporate profits.

1995 was a roller coaster year for the **Turkish** market, which rose 45% in the first half, only to end the year with a negative return of 5.2% in sterling terms. The economy recovered strongly from the recession of 1994, attracting investors as valuations had fallen to very low levels and the improved growth outlook offered the promise of good profits growth. The problem was once again complex political circumstances and the weak position of the government, dependent on a small minority. The situation finally became unsustainable and early elections had to be called in December, resulting in a fragmented parliament. The acceleration in economic activity combined with the traditional loosening of the public purse ahead of the elections led to a deterioration of the fiscal position resulting in a sharp rise in domestic interest rates.

INVESTMENT MANAGER'S REVIEW continued

ASSET ALLOCATION



OUTLOOK

On a geographical basis, the Company's exposure has been significantly increased to the Spanish market, concentrating purchases on interest rate sensitive stocks. Despite the rally in 1995, the market continues to offer good value especially in an environment of falling interest rates. The Company has started investing in Israel, a country that offers strong growth potential. Our initial purchases in Israel have focused on consumer growth and technology stocks. The exposure to France was reduced following the sharp rally ahead of the elections as we were concerned about the poor outlook for growth. The Portuguese weighting was reduced during the year and the Company has invested in some of the newly privatised companies. The initial indication following the Portuguese elections is that the new Socialist administration is unlikely to introduce a significant shift in economic policy. In Italy, the Company has also been investing actively in new issues.

Schroder Investment Management Limited
7 February 1996

TWENTY LARGEST INVESTMENTS

At 31 December 1995

Country	Company and Activity	Value of Holdings £'000	Percentage of Share- holders' Funds
Portugal	Jeronimo Martins Food retailer primarily involved in supermarket and hypermarket stores. Also manufactures detergents, olive oil, and ice cream.	1,789	4.94
France	Cetelem Europe's leading consumer credit company, financing purchases at point of sale or via its own branch offices located in five European countries.	1,364	3.77
Italy	Safilo Manufacturer of both sunglasses and optical glasses. Produces for resale under various designer name brands.	1,051	2.90
Spain	Centros Commerc. Pryca Second largest retailer in Spain; operating hypermarkets which sell food and white goods in the Spanish market.	919	2.54
Spain	Empresa Nac. Hidroelectrica Medium sized Spanish utility with increasing international exposure.	882	2.44
Greece	Titan Cement Greece's second largest cement producer, with four plants in Greece and one in the USA.	860	2.38
Italy	Telecom Italia Mobile Mobile telephone system operator in Italy.	850	2.35
Italy	Mondadori Leading Italian publisher with a diversified portfolio of book publishing and magazine businesses.	782	2.16
France	Technip Provides engineering, design, construction management and related technical services to industrial and government clients world-wide.	777	2.15
Spain	Mapfre Vida Leading Spanish life insurer.	772	2.13
France	Manutan Specialises in catalogue sales of industrial equipment to the private and public sectors.	736	2.03
France	Clarins Manufactures and markets world-wide a broad range of beauty products and perfumes, and ranks as Europe's leader in skin care products sold via prestige distribution channels.	686	1.89

TWENTY LARGEST INVESTMENTS continued

At 31 December 1995

Country	Company and Activity	Value of Holdings £'000	Percentage of Shareholders' Funds
France	Galeries Lafayette One of France's primary retailers; operating department stores, general stores, and discount stores.	686	1.89
France	Elf Aquitaine France's largest oil company; active in exploration and production, refining, marketing, international trading, and shipping of hydrocarbons.	628	1.73
Spain	Cortefiel Leading Spanish clothes retailer with a number of attractive formats.	620	1.71
Spain	Banco de Valencia Small regional Spanish bank.	619	1.71
France	Lapeyre Manufactures and markets building products and materials for the trade and the general public.	611	1.69
Greece	Hellenic Bottling Coca-Cola bottler in Greece, expanding its franchise into the Balkans region.	606	1.67
Italy	Sondel Italian electrical utility.	605	1.67
Portugal	Banco Espirito Santo Large Portuguese universal bank.	596	1.65
		16,439	45.40

FIVE YEAR RECORD

Year to 31 December	Total net assets £'000	Net assets per share* £	Total revenue £'000	Net revenue £'000	Earnings per share* pence	Net dividends per share* pence
1991†	24,525	2.23	925	185	1.68	1.60
1992	24,322	2.21	1,031	218	1.98	1.80
1993	35,370	3.22	925	86	0.78	0.75
1994	33,063	3.01	968	96	0.87	0.75
1995	36,210	3.29	1,139	279	2.54	1.50

* Adjusted where appropriate for 20 for 1 capitalisation issue in July 1993.

† 1991 converted to sterling at year-end exchange rates.

REPORT OF THE DIRECTORS

The Directors submit their report and the accounts of the Company for the year ended 31 December 1995.

COMPANY'S BUSINESS

The Company is incorporated and registered in Guernsey but is resident for tax purposes in the United Kingdom. The business of the Company is that of an investment trust and the Company complies with the conditions laid down for an Investment Trust under Section 842 of the Income and Corporation Taxes Act 1988. The last accounting period for which the Company has been treated as approved by the Inland Revenue is the year ended 31 December 1994, and the Company has subsequently directed its affairs so as to enable it to continue to qualify for such approval. The Company is not a close company for taxation purposes.

A review of the Company's business and its likely future development is given in the Chairman's Statement and Investment Manager's Review on pages 4 to 8.

REVENUE AND DIVIDENDS

The total revenue of the Company for the year was £1,139,000. Net revenue for the year available for shareholders was £279,000 equivalent to earnings of 2.54 pence per share.

The Directors recommend the payment of a final dividend of 1.50 pence per share. This will leave a surplus of revenue for the year of £114,000.

NET ASSET VALUE

During the year the undiluted net asset value per share of the Company increased from 300.58 pence per share to 329.18 pence per share.

DIRECTORS

The Directors of the Company during the year and the interests of the Directors and their families in the share capital of the Company were as shown below.

	At 31 December 1995 Shares of £0.10 each	At 31 December 1994 Shares of £0.10 each
Peter Sedgwick	—	—
Alonso Alvarez de Toledo y Urquijo	—	—
Henri Chermont	—	—
Mark Evans	2,000	2,000
Josiane Pain	5,400	5,400
Evangelista Ronchi	—	—
Terry Webb	—	—

There have been no changes in the above interests, which are all beneficial interests, up to 29 March 1996.

The Directors retiring by rotation are Mr Alonso Alvarez de Toledo y Urquijo, Mr Henri Chermont and Mr Mark Evans who, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

None of the Directors has a contract of service with the Company or has any material interest in any other contract which is significant to the Company's business. Mrs Pain is a Director of Schroder Investment Management Limited, the Investment Manager, which receives fees from the Company in accordance with the management agreement referred to below.

REPORT OF THE DIRECTORS continued

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year, the Company has maintained cover for its Directors and officers, under a Directors' and officers' liability insurance policy as permitted by Section 310 of the Companies Act 1985 (as amended).

SUBSTANTIAL SHARE INTERESTS

As at 29 March 1996 the Company had been notified of the following interests in the issued share capital:

	Shares	%
Schroder Investment Management Limited (on behalf of discretionary clients)	1,424,100	12.95
Stichting Akzo-Pensioenfond	661,000	6.01
London and Manchester (Portfolio Management) Limited	586,000	5.33
FP Fund Managers Limited	500,000	4.54
Allianz (UK) Limited	400,000	3.64

The Company is not aware of any other interests in excess of 3 per cent. of the issued share capital.

EXTRAORDINARY GENERAL MEETING

In accordance with the Company's Articles of Association the Directors have convened an Extraordinary General Meeting of the Company to immediately follow the Annual General Meeting to be held on 7 May 1996 to consider a special resolution to wind up the Company. Notice of the Extraordinary General Meeting is given on page 32 of this document.


INVESTMENT MANAGER

The Investment Manager, Schroder Investment Management Limited, is entitled to receive a fee at an annual rate of 1.25 per cent of the net assets of the Company. The investment management agreement is terminable by either party on not less than three months' notice. The Investment Manager is regulated by the Investment Management Regulatory Organisation Limited ("IMRO"), one of the United Kingdom self-regulating organisations for the purposes of the Financial Services Act 1986.

AUDITORS

Coopers & Lybrand have expressed their willingness to remain in office and resolutions to re-appoint them and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Senator House
85 Queen Victoria Street
London EC4V 4EJ
Registered Number: 21716
12 April 1996


By Order of the Board
Schroder Investment Management Limited
Secretary

CORPORATE GOVERNANCE

The Company has fully complied throughout the period with the provisions of the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance ("the Code") which are currently in force.

The Board has an Audit Committee and a Management Engagement Committee both of which have specific terms of reference and comprise all the independent non-executive Directors. The Audit Committee meets at least once a year with the Company's auditors and its function is to ensure that the highest standards of integrity, financial reporting and internal control are maintained. The Management Engagement Committee meets annually and its function is to review the terms of the Company's management agreement with Schroder Investment Management Limited to ensure it is competitive and reasonable for the shareholders. The Management Engagement Committee takes the place of the Remuneration Committee suggested by the Code, which would not be appropriate as the Company has no executive Directors.

The Board acknowledges that it is responsible for the Company's system of internal financial controls and confirms that it has reviewed their overall effectiveness.

The Board meets on a quarterly basis where it discusses income forecasts and expense analyses, and makes all major decisions concerning the Company. As discussed above, the Board has appointed an Audit Committee — whose meetings are attended by the Company's auditors — and a Management Engagement Committee. The Internal Audit Department within Schroders plc also conducts a regular review of Schroder Investment Management Limited, the Investment Manager and Secretary of the Company, and their Report is subsequently presented to the Board.

For those services which are provided by Schroder Investment Management Limited, the Board has obtained a letter from the Directors of Schroder Investment Management Limited which reports on the level of controls operating within their organisation and which have a direct bearing on the Company. On the basis of that letter, which has been reviewed by their auditors, the Directors are satisfied that strong internal financial controls are in place with regard to custody of the Company's investments, being the most significant area of risk for investment trusts.

It should be noted, however, that any system of internal financial controls can provide only a reasonable and not an absolute assurance against material misstatement or loss.

After making enquiries the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

CORPORATE GOVERNANCE continued

REPORT OF THE AUDITORS TO SCHRODER MEDITERRANEAN FUND LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts, we have reviewed the Directors' statement on page 13 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed in the Directors' Statement.

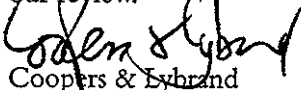
Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion either on the effectiveness of the Company's system of internal financial controls or its corporate governance procedures or on the ability of the Company to continue in operational existence.

Opinion

With respect to the Directors' statement on internal financial controls and going concern on page 13, in our opinion the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for Directors) and such a statement is not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and officers of the Company and examination of relevant documents, in our opinion the Directors' statement on page 13 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.



Coopers & Lybrand
Chartered Accountants

Guernsey

12 April 1996

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the state of the Company's affairs and of the profit or loss of the Company for that period and are in accordance with applicable laws.

The Directors are satisfied that the Company has adequate resources to continue in business and accordingly that the accounts should be drawn up on a going concern basis. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed. These policies and standards, for which the Directors accept responsibility, have been discussed with the Auditors.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulation.

The Directors believe that they have complied with these responsibilities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF SCHRODER MEDITERRANEAN FUND LIMITED

We have audited the accounts on pages 17 to 25.

Respective responsibilities of directors and auditors

As described on page 15 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

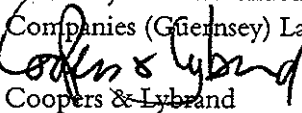
Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 1995 and of its net revenue, recognised gains and losses, and cashflows for the year then ended and have been properly prepared in accordance with the Companies (Guernsey) Law, 1994.


Coopers & Lybrand

Chartered Accountants

Guernsey

12 April 1996

REVENUE ACCOUNT

for the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Income from listed investments	1b		
Unfranked investment income		1,034	919
		1,034	919
Other income receivable			
Deposit interest		105	49
Total revenue		1,139	968
Administrative expenses	2	714	690
Profit on ordinary activities before interest		425	278
Interest payable	3	—	25
Net revenue from ordinary activities before taxation		425	253
Taxation	4	146	157
Net revenue for the financial year after taxation		279	96
Proposed final dividend		165	82
Surplus of revenue for the year			
Transferred to revenue reserve	14	114	14
Earnings per share	5	2.54 pence	0.87 pence
Dividends for the year per share		1.50 pence	0.75 pence

All items dealt with in arriving at the net revenue for the year ended 31 December 1995 and the year ended 31 December 1994 relate to continuing activities.

There is no difference between the net revenue for the year before taxation and the surplus of revenue for the year stated above and their historical cost equivalents.

The notes on pages 21 to 25 form an integral part of these accounts.

BALANCE SHEET

at 31 December 1995

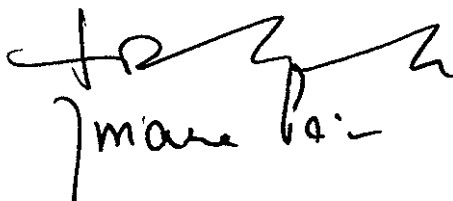
	Notes	1995 £'000	1994 £'000
FIXED ASSETS			
Investments			
Listed Overseas	1a, 6	34,331	31,231
Listed in the United Kingdom	6	588	537
		34,919	31,768
CURRENT ASSETS			
Debtors	7	455	240
Short-term deposits		2,018	1,423
Cash at bank		3	2
		2,476	1,665
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	1,184	366
Net current assets		1,292	1,299
TOTAL ASSETS			
LESS CURRENT LIABILITIES		36,211	33,067
Creditors: amounts falling due after more than one year	9	1	4
		36,210	33,063
CAPITAL AND RESERVES			
Called up share capital	11	1,100	1,100
Share premium account	12	33,826	33,826
Capital reserve	13	1,017	(2,016)
Revenue reserve	14	267	153
Shareholders' funds	15	36,210	33,063
Undiluted net asset value per share		329.18 pence	300.58 pence
Diluted net asset value per share assuming full conversion of warrants		— 303.62 pence	

The Accounts were approved by the Board of Directors on 12 April 1996 and signed on behalf of the Board by:

I P Sedgwick

J Pain

Directors



The notes on pages 21 to 25 form an integral part of these accounts.

CASH FLOW

for the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
OPERATING ACTIVITIES			
Cash received from investments		1,050	921
Interest received		105	41
Administrative expenses		(699)	(685)
Net cash inflow from operating activities	16	456	277
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(82)	(82)
Bank loan interest paid		—	(29)
Net cash outflow from returns on investments and servicing of finance		(82)	(111)
TAXATION			
UK tax paid		(93)	(10)
Overseas tax paid		(108)	(145)
Total tax paid		(201)	(155)
INVESTING ACTIVITIES			
Exchange loss on currency	13	—	(40)
Purchase of investments	17	(15,891)	(19,782)
Sale of investments	18	16,314	22,123
Net cash inflow from investing activities		423	2,301
Net cash inflow before financing		596	2,312
FINANCING			
Repayment of bank loan		—	(1,990)
Costs of capitalisation issue		—	(3)
Net cash outflow from financing		—	(1,993)
NET CASH INFLOW		596	319
Increase in cash and equivalents	19	596	319

The notes on pages 21 to 25 form an integral part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Capital profit on investments			
Realised surplus on investments sold	13	629	5,197
Unrealised surplus/(deficit)	13	2,404	(7,515)
Capital surplus/(deficit) for the year		3,033	(2,318)
Revenue profit available for distribution	15	279	96
Total recognised surplus/(deficit) for the year		3,312	(2,222)
 Distributable profit on investments			
Revenue profit available for distribution		279	96
Dividends		(165)	(82)
Transfer to distributable reserves		114	14
 Non-distributable profit			
Transfer to non-distributable reserves		3,033	(2,318)
		3,147	(2,304)

The notes on pages 21 to 25 form an integral part of these accounts.

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

a Investments

Listed investments are stated at market value. Realised and unrealised gains and losses on investments are included in the capital reserve.

b Income recognition

Investment income is credited by reference to due payment date. Other income is recognised on an accruals basis.

c Translation of foreign currencies

Foreign currency transactions during the period are translated into Sterling at exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated into Sterling at market rates of exchange ruling at the balance sheet date. Exchange gains or losses on foreign currency translations are dealt with in the revenue account, with the exception of net currency gains or losses relating to investments, which are included in the capital reserve.

d Deferred taxation is provided to take account of short-term timing differences expected to reverse in the foreseeable future.

2 ADMINISTRATIVE EXPENSES

	1995 £'000	1994 £'000
Investment Management fee	519	504
Custodian fee	83	81
Directors' emoluments	52	52
General expenses	46	43
Auditors' remuneration		
Audit	12	9
Non-audit	2	1
	<hr/> 714	<hr/> 690

Directors' emoluments:

The emoluments of the Chairman, who was also the highest-paid Director, were £10,000 (1994: £10,000).

The following table shows the number of Directors receiving emoluments in the bands stated:

£ Nil — £5,000	—	—
£5,001 — £10,000	7	7

The above expenses include irrecoverable value added tax where appropriate.

3 INTEREST PAYABLE

	1995 £'000	1994 £'000
On bank loans:		
Repayable within 5 years, not by instalments	—	25

NOTES TO THE ACCOUNTS continued

4 TAXATION

The charge for taxation on the net revenue for the period is made up as follows:

	1995 £'000	1994 £'000
United Kingdom taxation:		
Corporation tax	106	37
Irrecoverable advance corporation tax	41	17
Deferred taxation (see note 9)	—	4
	147	58
Less Double taxation relief	(106)	(37)
	41	21
Overseas withholding taxes	105	136
	146	157

Corporation tax at 25 per cent (1994: 25 per cent) has been provided on the unfranked income for the period after deducting expenses.

5 EARNINGS PER SHARE

The calculation of the earnings per share is based on 11,000,100 shares in issue during the year and on the earnings of £279,000 (1994: £96,000). The earnings per share calculated on the nil distribution basis are 2.91 pence (1994: 1.03 pence) based on earnings of £320,000 (1994: £113,000) which exclude the irrecoverable advance corporation tax shown in note 4.

6 INVESTMENTS

	1995			1994		
	Listed Overseas £'000	Listed in UK £'000	Total £'000	Listed Overseas £'000	Listed in UK £'000	Total £'000
Cost at 1 January	34,198	556	34,754	31,602	556	32,158
Additions at cost	16,587	—	16,587	17,198	1,000	18,198
Disposals at cost	(15,840)	—	(15,840)	(14,602)	(1,000)	(15,602)
Cost at 31 December	34,945	556	35,501	34,198	556	34,754
Unrealised (deficit)/surplus on investments	(614)	32	(582)	(2,967)	(19)	(2,986)
Market value at 31 December	34,331	588	34,919	31,231	537	31,768

The investments are valued on the basis set out in note 1(a). The value placed on the equity shares included under listed investments is £34,919,000 (1994: £31,768,000).

7 DEBTORS

	1995 £'000	1994 £'000
Amounts due within one year:		
Taxation recoverable	268	195
Sales for future settlement	155	—
Interest receivable	15	15
Sundry debtors	14	11
Prepayments	3	3
Investment income receivable	—	16
	455	240

8 CREDITORS

	1995 £'000	1994 £'000
a Amounts falling due within one year:		
Purchases for future settlement	778	82
Creditors and accrued charges	200	185
Proposed final dividend	165	82
Current taxation	41	17
	1,184	366
b Amounts falling due after more than one year:		
Deferred taxation (see note 9)	1	4
	1	4

9 DEFERRED TAXATION

	1995 £'000	1994 £'000
The movements on the provision for deferred taxation are as follows:		
At 1 January	4	—
Adjustment for ACT set-off	(3)	—
Transferred to Revenue Account (see note 4)	—	4
At 31 December	1	4

Deferred taxation comprises corporation tax at 25 per cent (1994: 25 per cent) on accrued income and other short-term timing differences and has been included under amounts falling due after more than one year.

10 CONTINGENT LIABILITIES

The Company had no contingent liabilities at the balance sheet date.

11 SHARE CAPITAL

	1995 £'000	1994 £'000
Authorised:		
20,000,000 shares of £0.10 each	2,000	2,000
Allotted, Called Up and Fully Paid:		
11,000,100 shares of £0.10 each	1,100	1,100

2,199,900 warrants lapsed on 31 December 1995, the last day on which they could be exercised.

12 SHARE PREMIUM ACCOUNT

	1995 £'000	1994 £'000
At 1 January	33,826	33,829
Less: Costs of capitalisation issue	—	(3)
At 31 December	33,826	33,826

NOTES TO THE ACCOUNTS continued

13 CAPITAL RESERVE

	1995 £'000	1994 £'000
Realised surplus/(deficit) on investments at 1 January	970	(4,227)
Net surplus on investments sold	629	5,237
Net loss on currency transactions	—	(40)
At 31 December	1,599	970
Unrealised (deficit)/surplus on investments at 1 January	(2,986)	4,529
Increase in unrealised surplus/(deficit) on investments	2,404	(7,515)
At 31 December	(582)	(2,986)
Capital Reserve at 31 December	1,017	(2,016)

The net profit on investments sold represents the difference between the net proceeds of sale and the original cost of the investments sold.

The unrealised (deficit)/surplus on investments is the difference between the market value of the investments held on 31 December 1995 and their original cost.

14 REVENUE RESERVES

	1995 £'000	1994 £'000
At 1 January	153	139
Transfer from revenue account	114	14
Revenue reserve at 31 December	267	153

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £'000	1994 £'000
Revenue profit available for distribution	279	96
Dividends	(165)	(82)
Distributable profits less dividends	114	14
Non-distributable capital surplus	3,033	(2,318)
Costs of capitalisation issue	—	(3)
Net addition/(reduction) to shareholders' funds	3,147	(2,307)
Shareholders' funds at 1 January	33,063	35,370
Shareholders' funds at 31 December	36,210	33,063

16 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £'000	1994 £'000
Net revenue before interest payable and taxation	425	278
Movements in accrued income	16	(5)
Movements in creditors	15	5
Movements in debtors	—	(1)
Net cash inflow from operating activities	456	277

17 ANALYSIS OF PAYMENTS FOR INVESTMENTS ACQUIRED

	1995	1994
	£'000	£'000
Brokers' payables accrued at 1 January	82	1,655
Acquisitions at cost	16,587	18,198
Less: Brokers' payables accrued at 31 December	(778)	(82)
Add: Refund on rights issue purchase	-	11
	15,891	19,782

18 ANALYSIS OF RECEIPTS FROM DISPOSALS OF INVESTMENTS

	1995	1994
	£'000	£'000
Brokers' receivables accrued at 1 January	-	1,284
Disposals at cost	15,840	15,602
Realised surplus on disposals	629	5,237
Less: Brokers' receivables accrued at 31 December	(155)	-
	16,314	22,123

19 ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	Balance at 31 December 1995	Balance at 31 December 1994	Change in Year
	£'000	£'000	£'000
Short term deposits	2,018	1,423	595
Cash at bank	3	2	1
	2,021	1,425	596

20 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING YEAR

	1995	1994
	£'000	£'000
Balance at 1 January	1,425	1,106
cash inflow before adjustments for the effect of foreign exchange	596	325
Effect of foreign exchange rate changes	-	(6)
Balance at 31 December	2,021	1,425

LIST OF INVESTMENTS

		Value of Holdings £'000	Percentage of Share- holders' Funds
FRANCE			
Financials			
Cetelem	<i>Financial services</i>	1,364	
Credit National	<i>Financial institution/services</i>	474	
		1,838	5.08
Energy			
Elf Aquitaine	<i>Oil</i>	628	
		628	1.73
Transport			
Calberson Cie Gle	<i>Transport</i>	127	
Locamion	<i>Transport</i>	140	
		267	0.74
Consumer Goods			
Clarins	<i>Health & household products</i>	686	
Galleries Lafayette	<i>Retail trading</i>	686	
Groupe Kindy	<i>Children's clothes</i>	75	
Teisseire	<i>Beverages</i>	257	
		1,704	4.71
Capital Goods			
Legrand	<i>Electrical equipment</i>	513	
Plastic Omnium	<i>Plastics</i>	535	
Schneider (ex Spep)	<i>Electrical equipment</i>	8	
SGS Thomson Micro	<i>Electronics/instruments</i>	494	
Sidel	<i>Packaging machinery</i>	581	
Technip	<i>Engineering</i>	777	
		2,908	8.03
Basic Industries			
Securidev	<i>Business Service</i>	56	
Lapeyre	<i>Construction/building materials</i>	611	
		667	1.84
Other			
Manutan	<i>Mail Order</i>	736	
Sogeparc	<i>Car Parks</i>	347	
		1,083	2.99
Total France		9,095	25.12

Schroder Mediterranean Fund Limited

		Value of Holdings £'000	Percentage of Share- holders' Funds
GREECE			
Financials			
Alpha Credit Bank	<i>Bank</i>	373	
		373	1.03
Consumer Goods			
Hellenic Bottling	<i>Beverage manufacturer</i>	606	
		606	1.67
Basic Industries			
Silver & Baryte Ores	<i>Mining, metals</i>	299	
Titan Cement	<i>Building materials</i>	860	
		1,159	3.20
Total Greece		2,138	5.90
ISRAEL			
Technology			
ECI Telecom	<i>Telecommunications</i>	411	
		411	1.14
Financials and Holding Companies			
First International Bank	<i>Bank</i>	157	
Koor Industries	<i>Diversified holding company</i>	384	
		541	1.49
Consumer Goods			
Osem	<i>Food/grocery products</i>	122	
Super-Sol	<i>Retail trade</i>	247	
		369	1.02
Pharmaceuticals			
Teva Pharmaceuticals	<i>Pharmaceuticals</i>	421	
		421	1.16
Total Israel		1,742	4.81

LIST OF INVESTMENTS continued

		Value of Holdings £'000	Percentage of Share- holders' Funds
ITALY			
Financials			
La Previdente	<i>Insurance</i>	273	
Unipol	<i>Insurance</i>	110	
		383	1.06
Basic Industries			
Montedison	<i>Diversified holding company</i>	532	
		532	1.47
Utilities			
Sondel	<i>Electric utility</i>	605	
Telecom Italia Mobile	<i>Telecom utility</i>	850	
		1,455	4.02
Consumer Goods			
Mondadori	<i>Publishing</i>	782	
Parmalet Finanziaria	<i>Food manufacturer</i>	252	
Safilo	<i>Spectacle frames</i>	1,051	
Zucchi	<i>Textile</i>	219	
		2,304	6.36
Capital goods			
Brembo	<i>Auto components</i>	516	
IMA	<i>Mechanical engineering</i>	521	
Saes Getters	<i>Electronics</i>	559	
Sasib	<i>Mechanical engineering</i>	501	
Tecnost	<i>Business equipment</i>	408	
		2,505	6.92
Total Italy		7,179	19.83
MOROCCO			
Bank			
Bqe Comm Marocco	<i>Bank</i>	123	
		123	0.34
Holding company			
ONA	<i>Holding company</i>	283	
		283	0.78
Total Morocco		406	1.12

Schroder Mediterranean Fund Limited

		Value of Holdings £'000	Percentage of Share- holders' Funds
PORTUGAL			
Financials			
Banco Espirito Santo	<i>Banking</i>	596	
		596	1.64
Utilities			
Portugal Telecom	<i>Telecommunications</i>	411	
		411	1.14
Consumer Goods			
ITI Soc de Invest	<i>Leisure</i>	258	
Jeronimo Martins	<i>Retailing</i>	1,789	
TVI - Televisao Ind.	<i>Entertainment/leisure/toys</i>	480	
		2,527	6.98
Capital Goods			
Efacec	<i>Mechanical engineering</i>	91	
		91	0.25
Basic Industries			
Semapa	<i>Cement</i>	501	
Somec	<i>Construction/building material</i>	13	
		514	1.42
Total Portugal		4,139	11.43

LIST OF INVESTMENTS continued

		Value of Holdings £'000	Percentage of Share- holders' Funds
SPAIN			
Financials			
Banco de Valencia	<i>Banking</i>	619	
Banco Popular Espanol	<i>Banking</i>	487	
Mapfre Vida	<i>Insurance</i>	772	
		1,878	5.19
Utilities			
Empresa Nac. Hidroelectrica	<i>Utilities</i>	882	
Electricas Reun. de Zaragoza	<i>Utilities</i>	575	
Sevillana de Electricidad	<i>Utilities</i>	450	
		1,907	5.26
Transport			
Autopistas del Mar	<i>Motorway concession operator</i>	529	
		529	1.46
Consumer Goods			
Cortefiel	<i>Retail trading</i>	620	
Centros Commerc. Pryca	<i>Retailing</i>	919	
Fasa Autom. Renault	<i>Automobiles</i>	167	
Grupo Anaya	<i>Publishing and printing</i>	198	
		1,904	5.26
Basic Industries			
Cristaleria Espanola	<i>Glass manufacturer</i>	505	
Obrascon	<i>Construction</i>	294	
Portland Valderrivas	<i>Cement</i>	434	
Uralita	<i>Construction/building materials</i>	479	
		1,712	4.73
Total Spain		7,930	21.90

Schroder Mediterranean Fund Limited

		Value of Holdings £'000	Percentage of Share- holders' Funds
TURKEY			
Financials			
Global Menkul Dege	<i>Financial institution</i>	109	
Finansbank	<i>Banking</i>	239	
Finansleasing	<i>Leasing</i>	45	
Ottoman Bank	<i>Banking</i>	588	
		981	2.71
Capital goods			
Netas	<i>Telecommunications equipment</i>	185	
		185	0.51
Consumer Goods			
Aksu Iplik Dokuma	<i>Textiles</i>	71	
Migros	<i>Retailing</i>	212	
Tofas Otomobil Fab	<i>Automobiles</i>	75	
Trakya Cam	<i>Household durables</i>	138	
Turk Demir Dokum	<i>Consumer durables</i>	146	
USAS	<i>Food/grocery products</i>	91	
		733	2.02
Basic Industries			
Ege Ceramic	<i>Construction/building materials</i>	214	
Eyap	<i>Construction/building materials</i>	177	
		391	1.08
Total Turkey		2,290	6.32
Total Investment Portfolio			
		34,919	96.43
Other net assets		1,291	3.57
Shareholders' Funds		36,210	100.00

NOTICES AND AGENDA

NOTICE is hereby given that the Annual General Meeting of Schroder Mediterranean Fund Limited will be held at 10.30 a.m. on Tuesday, 7 May 1996 at St Pierre Park, The Rohais, St Peter Port, Guernsey, Channel Islands for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

1. That the Report of the Directors and the Accounts be adopted.
2. That a Final Dividend of 1.50 pence per share be declared, payable on 16 May 1996 to shareholders on the register as at 23 April 1996.
3. That Mr Alonso Alvarez de Toledo y Urquijo be re-elected as a Director of the Company
4. That Mr Henri Chermont be re-elected as a Director of the Company
5. That Mr Mark Evans be re-elected as a Director of the Company.
6. That Coopers & Lybrand be reappointed as Auditors of the Company.
7. That the Board be authorised to agree with the Auditors a sum to cover their remuneration.

Registered Office:
Barfield House
St Julian's Avenue
St Peter Port
Guernsey, GY1 3QL
12 April 1996

By Order of the Board
Schroder Investment Management Limited
Secretary

NOTICE is hereby given that an Extraordinary General Meeting of Schroder Mediterranean Fund Limited will be held on Tuesday, 7 May, 1996 at St. Pierre Park, The Rohais, St. Peter Port, Guernsey, Channel Islands at the conclusion of the Annual General Meeting convened for 10.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

That the Company be wound up in accordance with its Articles of Association.

Registered Office:
Barfield House
St Julian's Avenue
St Peter Port
Guernsey, GY1 3QL
12 April 1996

By Order of the Board
Schroder Investment Management Limited
Secretary

NOTES

1 A member of the Company entitled to attend and vote at the Annual General Meeting or the Extraordinary General Meeting may appoint a proxy or proxies to attend and on a poll to vote in his stead. A proxy need not be a member of the Company. Forms appointing proxies must be lodged with the Company's Registrar not less than 48 hours before the time appointed for the Meeting. The completion and return of a form of proxy will not preclude a holder entitled to attend and vote in person at the Meeting from doing so if he or she wishes.

2 In accordance with the requirements of The Stock Exchange, London, a statement of all transactions of each Director and of his family interests in the shares of the Company will be available for inspection at the registered office of the Company and at Senator House, 85 Queen Victoria Street, London EC4V 4EJ, during normal business hours from the date of this notice to the conclusion of the Meeting. None of the Directors has a contract of service with the Company.

Schroder Investment Management

Schroder Investment Management Limited is the investment management arm of Schroders, the international financial services organisation. Worldwide, the Group manages assets exceeding £2 billion a year.

Schroders has been involved in investment management since 1822 and today is one of the largest and most international of investment managers, providing investment management services and research and marketing functions from offices located in twenty-one countries, with Schroder Investment Management in London at the centre of this network.

Original, independent research, now long-term economic and corporate fundamentals, combined through a dedicated team of over 30 analysts and economists worldwide. Schroder Investment Management Limited has offices in London and in Amsterdam, Bangkok, Bermuda, Boston, Buenos Aires, Copenhagen, Frankfurt, Hong Kong, Jakarta, Kuala Lumpur, Los Angeles, Luxembourg, Milan, New York, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto and Zurich.

The range of investment portfolios managed by Schroder Investment Management Limited and its subsidiaries includes:

- UK pension funds
- International pension funds
- Local authority superannuation funds
- Charities
- Private clients
- Investment trusts
- Unit trusts
- UK ISA funds
- Capricorn insurance companies
- Common investment funds for charities
- Specialist equity and bond funds
- Global and reserve funds
- Currency funds
- Emerging market funds

Schroder Investment Management Limited
is regulated by the FRC