Schroder Ventures International Investment Trust plc

Report and Accounts 2000

Investment Objective

The Company’s principal investment objective is to achieve capital appreciation by investing primarily in an international portfolio of Buy-Out and Development Capital Funds, which are managed and advised by Schroder Ventures.

www.sviit.co.uk

Report and Accounts 2000

Contents

Directors and Advisers

DIRECTORS

John McLachlan*† (Chairman) (aged 58) was appointed as a Director of the Company on 12 February 1996. He retired as Group Investment Director of United Assurance Group plc in August 1999. He is a non-executive Director of GT Income Growth Trust plc and House of Fraser Trustees 1994 Limited.

Nicholas Ferguson† (aged 51) was appointed as a Director of the Company on 12 February 1996. He is Chairman of Schroder Ventures Limited and is responsible for developing and co-ordinating the activities of Schroder Ventures world-wide. He is a member of the investment committee for each of the Schroder Ventures' funds.

John Govett† (aged 56) was appointed as a Director of the Company on 12 February 1996 and is a non-executive Director of Derby Trust plc, Invesco City & Commercial Trust plc, Schroder Emerging Countries Fund plc, Peel Hotels plc and Rio Tinto Pension Investments Limited.

Anthony Habgood*† (aged 53) was appointed as a Director of the Company on 12 February 1996 and is Chairman of Bunzl plc. He is also a non-executive Director of PowerGen plc.

Edgar Koning*† (aged 48) was appointed as a Director of the Company on 12 February 1996 and is Executive Vice-President with AEGON Nederland N.V. He joined AEGON in 1981 and has held various senior management positions in the Group.

Peter Sedgwick† (aged 64) was appointed as a Director of the Company on 12 February 1996 and is Chairman of Schroders plc, Schroder UK Growth Fund plc and Invesco City & Commercial Trust plc. He is Vice President of The Equitable Life Assurance Society and non-executive Director of certain other companies.

John Strangfeld*† (aged 47) was appointed as a Director of the Company on 12 February 1996 and is Chief Executive Officer of Prudential Global Asset Management, responsible for all of Prudential's asset management activities. In this capacity he is also Executive Vice President of the parent company, The Prudential Insurance Company of America.

* Member of the Audit and Management Engagement Committee.
† Member of the Nomination Committee.

ADVISERS

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Schroder Investment Management Limited
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Telephone 020 7658 3206

Bankers
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Corporate Banking Office
5-10 Great Tower Street
London EC3P 3HX

Solicitors
Slaughter and May
35 Basinghall Street
London EC2V 5DB

Registrars
Lloyds TSB Registrars Scotland
117 Dundas Street
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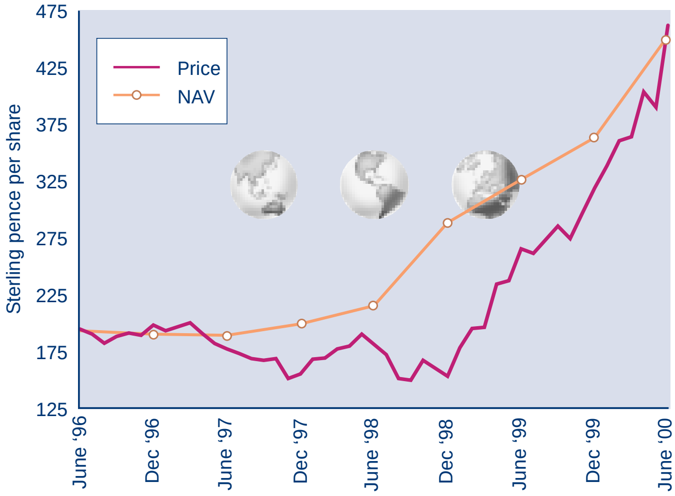
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Stockbrokers
Merrill Lynch International
20 Farringdon Road
London EC1M 3NH

Financial Highlights and Historical Record

PERFORMANCE SINCE LAUNCH



FINANCIAL HIGHLIGHTS TO 30 JUNE 2000

	30 June 2000	30 June 1999	Change %
Total assets (£'000)	**461,615**	333,630	38.4%
Shareholders' funds (£'000)	**461,125**	322,485	43.0%
Net asset value per share	**450.9p**	325.9p	38.4%
Share price	**461.5p**	262.5p	75.8%
Share price premium/(discount)	**2.4%**	(19.5%)	–
Dividends per share	**3.8p**	1.5p	153.3%
Total expense ratio	**0.2%**	0.2%	–
Market capitalisation (£'000)	**471,956**	259,787	81.7%

HISTORICAL RECORD TO 30 JUNE

	Total assets £'000	Shareholders' funds £'000	Net asset value per share pence	Price of ordinary shares pence	Share price premium/ (discount) %
2000	461,615	461,125	450.9	461.5	2.4
1999	333,630	322,485	325.9	262.5	(19.5)
1998	230,822	219,730	215.1	182.0	(15.4)
1997	207,655	182,548	189.2	174.5	(7.8)
1996 (launched 23 May 1996)	240,733	186,493	193.3	200.0	3.5

HISTORICAL RECORD TO 30 JUNE

	Earnings pence	Dividends pence	Cost of running trust £'000
2000	4.68	3.80	1,326
1999	2.35	1.50	878
1998	2.06	1.30	664
1997	1.58	1.92	728
1996 (launched 23 May 1996)	N/A	N/A	N/A

Notes:

1. Total assets: Total assets less current liabilities, before deducting prior charges.
2. Potential gearing ratio: Total assets divided by shareholders' funds.
3. Cost of running trust: Operating costs excluding interest payable.
4. Total expense ratio: Operating costs excluding interest payable (net of tax relief on those costs) expressed as a percentage of average shareholders' funds.
5. Capital changes: 2000: 'B' bonds fully converted into 3,299,380 ordinary shares.
1999: Buy-back of 3,204,171 shares for cancellation.
1998: 'A' bonds fully converted into 5,683,236 ordinary shares.

Chairman's Statement

OVERVIEW

I am pleased to report that the twelve months to 30 June 2000 represented another very positive year for the Company.

Performance during the second half of the year was excellent, with the effect that the Company's net assets increased by 43.0% during the year to 30 June 2000 and more than doubled in the two-year period between 1 July 1998 and 30 June 2000.

The highlights of the year to 30 June 2000 were as follows:-

- Net asset value per share increased by 38.4% to 450.9 pence (June 1999: 325.9 pence per share), allowing for the increase in share capital following the conversion of bonds during the year.
- Realisations during the year were at significant premia to 30 June 1999 valuations, including Across Wireless and SVIIT's remaining interest in Charles Vögele.
- Considerable uplifts in the value of some of SVIIT's underlying companies during the year.
- Major new fund commitments, including €750 million to Schroder Ventures European Fund II.
- Compound Annual Growth Rate of 23% in net assets per share, since launch in May 1996.
- Euro-denominated receipt (EDR) to be issued in September 2000.
- Investor relations web site launched at www.sviit.co.uk.

I am pleased to announce that a SVIIT euro-denominated receipt will be issued in September 2000. This is the first listing of a depository receipt for a company of this nature and has been undertaken in response to interest from Continental European investors, who wish to access private equity investment opportunities through SVIIT, but prefer to invest in a euro-denominated stock.

Furthermore, the growing interest of private investors and smaller institutions has also led us to develop our investor relations web site, www.sviit.co.uk, launched today, and to seek to ensure that our shares can be traded through the CREST settlement system.

REALISATIONS

SVIIT has enjoyed strong realisations during the year to 30 June 2000, which have contributed to the considerable growth in net assets. Two such realisations were AU System and Across Wireless.

Through its fund investments, SVIIT's interest in these companies was acquired in May 1999 as part of its investment in AU System Group. Due to the nature of the companies in the group and their different exit plans, the investment was structured as a demerger into three separate companies, resulting in three separate new investments for the funds; AU System, Across Wireless and iD2 Technologies.

In April, SVIIT's entire interest in Across Wireless was sold at a £42.1 million premium to the 30 June 1999 gross valuation. This was followed by the successful flotation of AU System on the OM Stockholm Exchange in June, where approximately a third of SVIIT's interest was sold. The proceeds of the partial realisation in AU System, in addition to the value of the remaining investment, represented an uplift of £20.3 million to the 30 June 1999 gross valuation.

In addition to the above two realisations, the sale of iD2 Technologies was announced in June, however the transaction did not complete until after the year end.

NEW FUND COMMITMENTS

Substantial cash-flows from realisations during the year to 30 June 2000, coupled with the Company's existing cash balances, have enabled SVIIT to make significant commitments to new Schroder Ventures' funds. Uncalled commitments to Schroder Ventures' funds have increased from £124.7 million at 30 June 1999 to £580.7 million at 30 June 2000.

The most notable commitment during the year was the €750 million commitment to the Schroder Ventures European Fund II, which is expected to build on the success of the first Schroder Ventures European Fund. At 30 June 2000, the fund was 11.7% drawn-down and had made three investments, two of which feature in SVIIT's Twenty Largest Underlying Companies. The fund is expected to have a final closing in the fourth quarter of 2000 at a maximum fund size of €3.3 billion.

In addition, SVIIT has committed $135.6 million to Schroder Ventures Asia Pacific Fund at its final closing in June 2000

Chairman's Statement continued

and has made a $64.5 million commitment to Schroder Ventures US Fund at its third closing in May 2000. SVIIT has also agreed to commit approximately C$50 million to the Schroder Canadian Buy-Out Fund III, which is expected to have its first closing later in 2000.

EURO-DENOMINATED DEPOSITORY RECEIPT LISTING

As mentioned above, the Company will issue a depository receipt denominated in euros, to provide for investors who have indicated that they would prefer to invest in the Company via a euro-denominated stock. Each EDR will be representative of one ordinary share, and will be traded in registered form.

CREST

Since the launch of the Company, the Company's shares have not been traded through the CREST system. During the year, the Board has become increasingly aware of the growing interest from private investors looking to gain exposure to private equity through a vehicle such as SVIIT. In order to facilitate future investment in the Company, particularly from private individuals who use nominee accounts, the Board believes that the CREST settlement system should be made available at this time for trading in the Company's shares. In order for the Company's shares to be traded through the CREST system, the Company's Articles of Association first require amendment. A resolution is therefore proposed at the Annual General Meeting to adopt new Articles of Association which provide for trading through the CREST system.

DIRECTORS' FEES

The Board continues to monitor the payment of fees to Directors. In order to provide the Board with additional flexibility in the setting of Directors' fees in the future, a resolution will be proposed at the Annual General Meeting that the cap on the total amount of directors' fees be increased from £100,000 to £200,000.

WEB SITE

I am pleased to announce the launch of www.sviit.co.uk, a web site dedicated to the Company. The site includes full information on the Company, background information on Schroder Ventures, SVIIT's share price performance, recent press releases and presentations on the Company, and in addition will provide electronic copies of the Newssheet, Annual Reports and Interim Reports.

OUTLOOK

Performance during the year has been extremely positive.

The Company continues to enjoy realisations at significant premia to valuations. This, coupled with the growth of the underlying portfolio, has allowed the Company to make significant new commitments to Schroder Ventures' funds. While the Company's cash balances remain high, it is anticipated that these balances will be substantially reduced in the coming year as SVIIT's uncalled commitments to Schroder Ventures' funds are drawn-down.

The underlying portfolio is now relatively immature -– 82% of investments have been held for three years or less and 43% of the portfolio is valued at cost. This, coupled with the conservative valuations of portfolio companies, would suggest that there is still potential for continued growth.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12 noon on Tuesday 5 December 2000 at the offices of Schroders plc at 31 Gresham Street, London, EC2V 7QA, and will, as in previous years, include a presentation on the activities of the Company.

John J. McLachlan
Chairman

Portfolio Review

OVERVIEW

In the year to 30 June 2000, SVIIT's net assets increased by 43.0% to £461.1 million (30 June 1999: £322.5 million), comprising £327.2 million of fund investments (30 June 1999: £226.4 million) and £133.9 million held directly in cash and marketable securities (net of liabilities) (30 June 1999: £96.1 million).

This growth in net assets represents an increase of 38.4% in net asset value per share to 450.9 pence (30 June 1999: 325.9 pence per share), allowing for the increase in SVIIT's issued share capital, following the conversion of bonds in November 1999 and the proposal of a dividend of 3.8p per share (30 June 1999: 1.5p per share).

The increase in net asset value over the year to 30 June 2000 has been partly due to a number of substantial realisations, notably Across Wireless and Charles Vögele, which respectively represented a £42.1 million and £17.2 million premium to gross valuations at 30 June 1999 (and £42.1 million and £68.6 million premium to cost).

In addition, there have been considerable increases in the value of some of SVIIT's underlying portfolio companies, in particular iD2, EEMS and Leica Microsystems, which together represented a write up of £27.7 million during the year. The sale of iD2 Technologies was announced on 28 June 2000, however, the transaction did not complete until July and the valuation is based on these proceeds.

Other notable write-ups were AU System and Ferretti, both of which floated in June 2000. AU System listed on the OM Stockholm Exchange and approximately one third of the investment was sold. The proceeds of this partial realisation, together with the value of the remaining investment, represent an uplift of £20.3 million to the 30 June 1999 gross valuation.

Ferretti was listed on the Milan Stock Exchange and approximately 65% of the investment was realised. SVIIT's proceeds from the partial realisation, in addition to the value of its remaining holding in the company, represent a £15.2 million premium to the 30 June 1999 gross valuation and a £20.3 million premium to cost.

SVIIT's geographical exposure has become more diversified in the year, mainly due to new investments made in Asia, the US and in the Life Sciences' sector. However, SVIIT continues to have a significant exposure to Continental Europe, which will continue with the commitment of €750 million to the Schroder Ventures European Fund II.

The portfolio comprises holdings in all 25 of Schroder Ventures' funds, giving an underlying portfolio of 155 companies in 18 countries worldwide. A small number of large investments constitute the majority of the portfolio, with SVIIT's Twenty Largest Underlying Companies representing 70% of the total fund investments (30 June 1999: 72%). The profile of SVIIT's Twenty Largest Underlying Companies has changed considerably over the year with eight new investments, the largest of which, AMS, represents 7.47% of net assets.

Since its launch in May 1996, SVIIT has reported a compound net asset per share growth of 23% per annum. There is still significant potential for further growth, with six of SVIIT's Twenty Largest Underlying Companies and 43% of the total portfolio being valued at cost (30 June 1999: 29%), and 82% of investments having been held for three years or less (30 June 1999: 74%).

CASHFLOW

Distributions receivable from realisations of £187.8 million in the year to 30 June 2000 stood at an average premium of 88% to the 30 June 1999 valuations. Distributions in the second half of the year stood at an average premium of 48.5% to 31 December 1999 valuations.

Calls payable amounted to £162.3 million to fund 46 new and 64 follow-on investments in the year. In addition, since the year-end, SVIIT has paid calls of approximately £23 million.

FUND COMMITMENTS

SVIIT made commitments to three new Schroder Ventures' funds during the year and at 30 June 2000 had total uncalled commitments of £580.7 million to eight funds (30 June 1999: £124.7 million to seven funds).

In April 2000, SVIIT committed €750 million to the Schroder Ventures European Fund II, which was 11.7% called as at 30 June 2000 and is anticipated to have a final closing in the fourth quarter of this year with a maximum fund size of €3.3 billion. It will, like its predecessor, focus on European Buy-Outs and Buy-Ins, in addition to growth capital investments (typically within the technology and life sciences sectors) and

Portfolio Review continued

Uncalled Fund Commitments

Fund	Amount Called (Local Currency)	Amount Uncalled (Local Currency)	SVIIT Uncalled commitment* £ million
Schroder Ventures European Fund	€162.7m	€33.3m	21.1
Schroder Ventures International Life Sciences Fund II	US$27.7m	US$53.9m	35.6
The Japan Venture Fund III	¥1549.5m	¥1450.5m	9.1
Schroder Canadian Buy-Out Fund II	C$16.6m	C$1.3m	0.6
Schroder UK Venture Fund IV	£3.2m	£1.4m	1.4
Schroder Ventures Asia Pacific Fund	US$30.5m	US$105.1m	69.4
Schroder Ventures US Fund	US$27.9m	US$36.6m	24.2
Schroder Ventures European Fund II	€87.8m	€662.2m	419.3
Total			**£580.7m**

* Based on exchange rates at 30 June 2000

will target mainly the technology, healthcare, consumer products and services and industrial products sectors. As at 30 June 2000, the fund had already invested in three companies, two of which, AMS and Hogg Robinson, are included in SVIIT's Twenty Largest Underlying Companies. Since the year-end, the fund has made one further investment, Kiekert, bringing the fund to 17.5% drawn down at 31 August 2000.

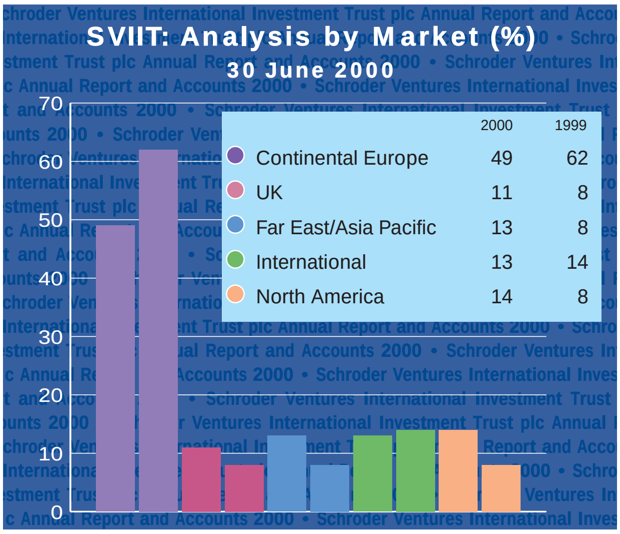
SVIIT has also made a $64.5 million commitment to the Schroder Ventures US Fund, which had its third closing in May 2000, and has indicated a commitment of approximately 30% of any subsequent closings. The fund will target larger development capital and mid-sized buy-outs in the US, with a sector focus on media, telecommunications and technology sectors. US companies that seek international expansion and international companies that intend to break into the US market will be the primary targets. The fund is 43.5% drawn down and its first two investments, Mesa Communications and ThoughtWorks feature in SVIIT's Twenty Largest Underlying Companies.

In addition, during the year, the Schroder Ventures Asia Pacific Fund had a final closing. SVIIT's commitment to this fund totalled $135.6 million. At 30 June 2000, the fund was 22.5% drawn down, with its first investment, Parkway Holdings, featured in SVIIT's Twenty Largest Underlying Companies.

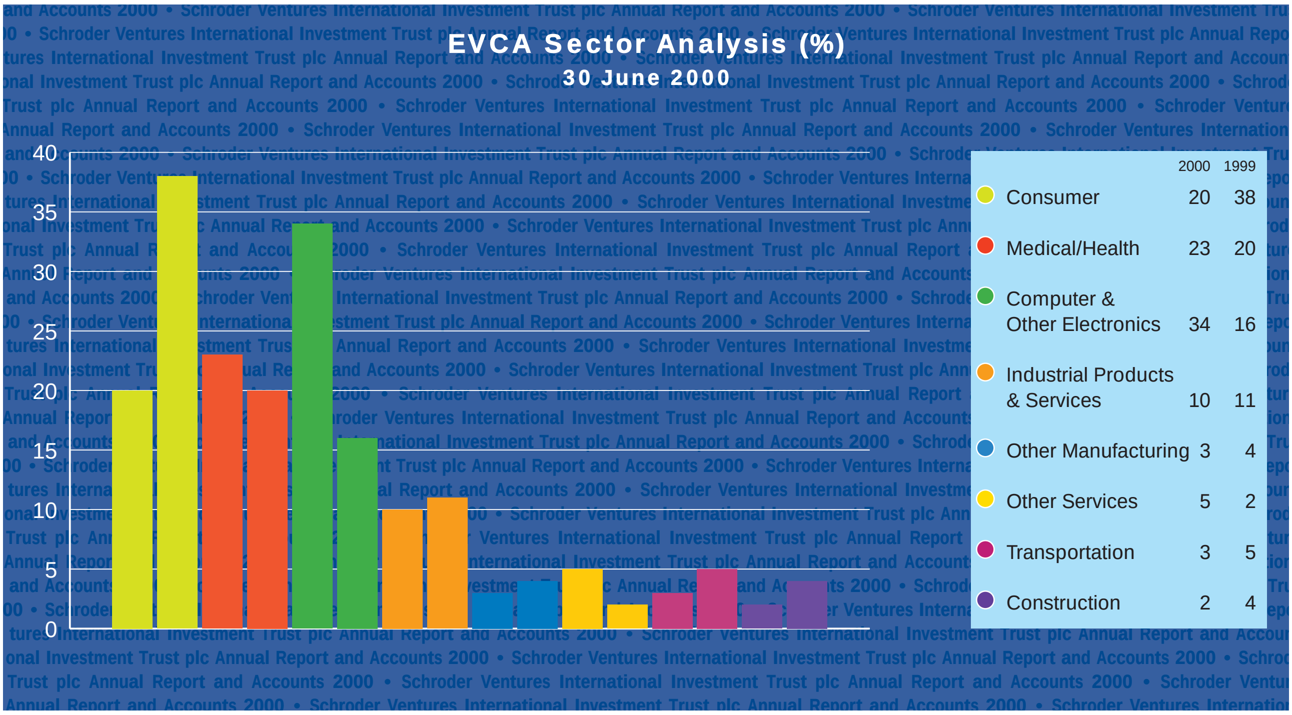
It is expected that SVIIT will make a commitment of C$50 million to the Schroder Canadian Buy-Out Fund III, which is due to have its first closing during 2000. The fund, which has a target size of C$150 million, will invest principally in buy-outs, buy-ins, leveraged build-ups and development capital opportunities in Canada.

GEOGRAPHICAL DISTRIBUTION

SVIIT's geographic exposure has become more diversified during the year, in part due to new investments made by Schroder Ventures Asia Pacific Fund, Schroder Ventures US



Portfolio Review continued



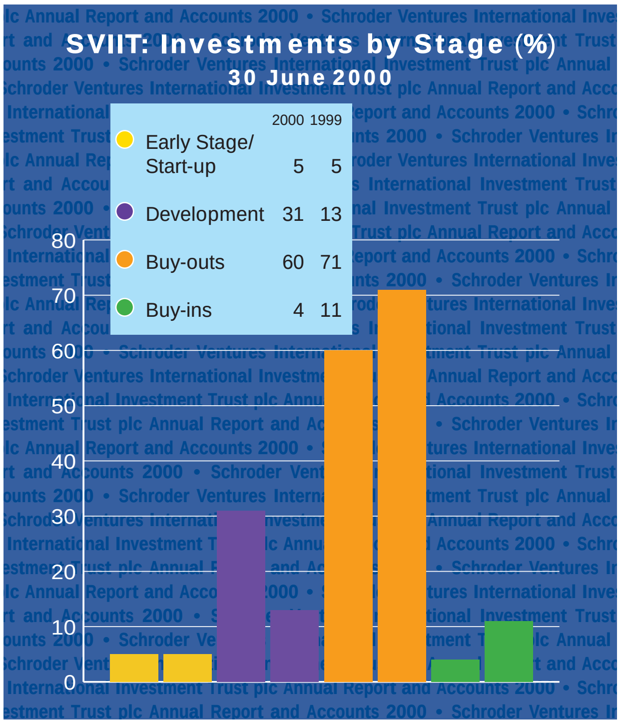
Fund and Schroder Ventures International Life Sciences Fund II. However, SVIIT continues to have a significant exposure to Continental Europe, which will continue with the commitment of €750 million to Schroder Ventures European Fund II.

INDUSTRIAL SECTOR

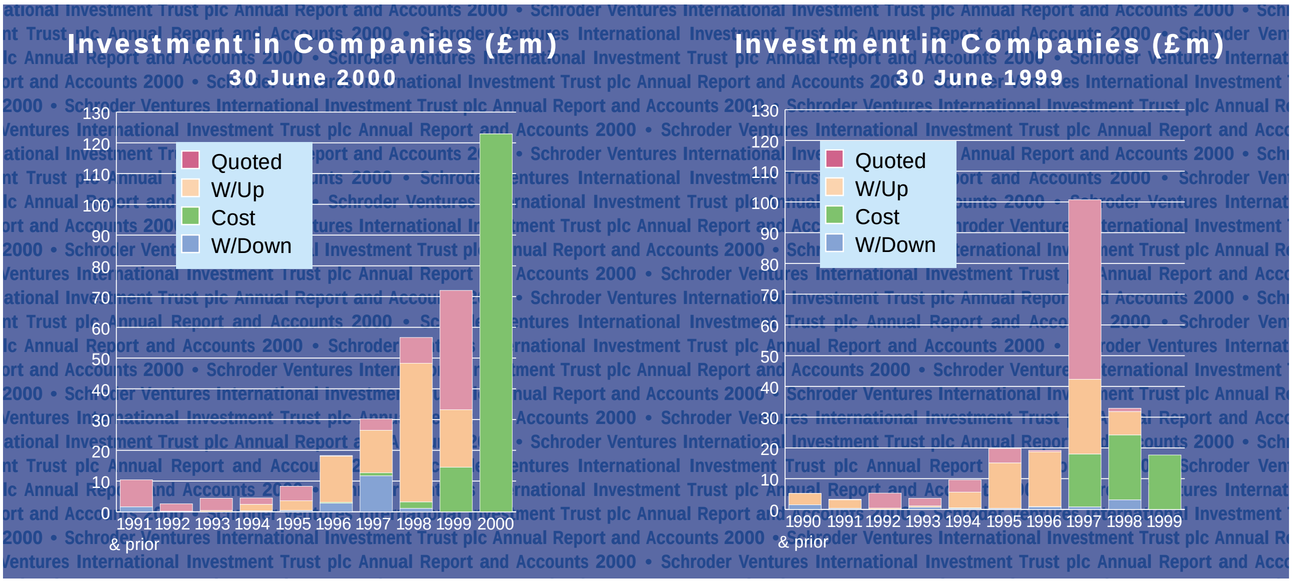
SVIIT has increased its exposure to investments in the computer and electronics sectors, (see table above, EVCA Sector Analysis), with major new investments such as AMS and ThoughtWorks, and rises in the value of previously held portfolio companies including AU System, EEMS and iD2; all these companies now feature in SVIIT's Twenty Largest Underlying Companies. SVIIT's exposure to consumer related industries has fallen, principally due to the realisation of Charles Vögele, however, this has been offset slightly by the investment in Takko, the German retailer of fashionable "value for money" clothing.

DEAL TYPE

As shown on the right, Management Buy-Outs continue to be the largest transaction type by value, representing 60% of the portfolio (30 June 1999: 71%). There has also been an increase in development capital investments to 31% (30 June 1999: 13%), mainly due to the new investment in Mesa Communications, in addition to AU System's increase in value.



Portfolio Review continued



PORTFOLIO MATURITY

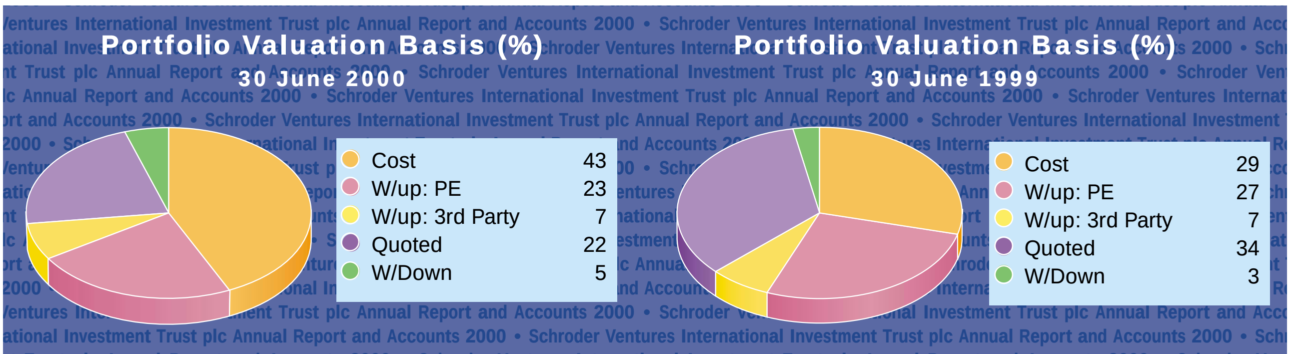
As shown above, the average age of the portfolio has fallen during the year, with 82% of investments held for three years and under (30 June 1999: 74%).

SVIIT VALUATION BASIS

The chart below shows that there is still considerable potential for future up-lifts in the value of those companies that are held at cost, which include six of SVIIT's Twenty Largest Underlying Companies.

The valuation of most companies using a quoted, PE and third-party offer basis involves the application of a range of discounts to reflect expected timing of exits or lack of liquidity in a company's equity. As at 30 June 2000, the weighted average discount applied to the gross values of quoted and written up companies was 24% (30 June 1999: 27%). Last year the higher average reflected discounts applied to specific major investments which have now been sold or are valued on a different basis.

The weighted average PE multiple used in valuing the underlying portfolio companies was 13.8 (30 June 1999: 13.0). After the application of a range of discounts which average 28% (30 June 1999: 33%), investments valued on a PE basis are effectively valued at 9.9 times earnings (30 June 1999: 8.7).



Under British Venture Capital Association (BVCA) valuation guidelines, investments are normally carried at cost for at least the first 12 months after acquisition.

Portfolio Review continued

SVIIT PORTFOLIO PERFORMANCE

The Company's return on its holdings of Schroder Ventures' funds is summarised below;

Year ended	30 June 2000 £m	30 June 1999 £m
Opening Valuation	**226.4**	152.1
Calls Paid	**162.3**	49.2
Distributions received	**(187.8)**	(80.9)
	200.9	120.4
Increase in value of portfolio	**126.3**	106.0
Closing portfolio	**327.2**	226.4

Distributions of £187.8 million receivable in the year were at an average 88% premium to the 30 June 1999 values of £99.9 million. Distributions in the second half of the year stood at an average premium of 48.5% to 31 December 1999 valuations. The return on the portfolio in the year was 56% in Sterling terms and 55% in local currencies.

CASH AND MARKETABLE SECURITIES

At 30 June 2000, the Company's gross cash balance of £136.6 million (30 June 1999: £117.3 million) was held principally in a portfolio of short-dated treasury bills, denominated in currencies that broadly match, in percentage terms, the currency exposure of outstanding fund commitments, adjusted for anticipated short term cash flows. The overall performance of Sterling during the year resulted in a gain on exchange on cash and marketable securities of £0.7 million.

FUND TRANSACTIONS

The number of underlying companies held by Schroder Ventures' funds increased to 155 from 149 in the year reflecting a total of 46 new investments and 40 full realisations.

Eight new investments are included in SVIIT's Twenty Largest Underlying Companies, among them AMS, Hogg Robinson and Takko.

"Public to private" transactions featured in the portfolio during the year. Funds advised by Schroder Ventures completed two such transactions during the year, AMS (Austria) and Hogg Robinson (UK). In addition, since the year end funds advised by Schroder Ventures have announced a public to private transaction in Germany (Kiekert). SVIIT's share of this investment will be approximately £12 million, representing approximately 3% of net assets (based on 30 June 2000 published figures). This transaction is subject to shareholder and regulatory approval.

In addition, since 30 June 2000, funds advised by Schroder Ventures have led the $2.35 billion agreed bid for Veba Electronics Group from E.ON AG. Under the terms of the agreement, Schroder Ventures and other investors will acquire the Memec Group, a global specialist semiconductor distribution company. The company had 1999 sales of $1.8 billion and 2,300 employees based in 40 countries. SVIIT's share of this investment will be approximately £60 million and the Memec Group will be the largest of SVIIT's portfolio companies, representing approximately 13% of net assets (based on 30 June 2000 published figures). The agreement is conditional on receiving competition authority clearances.

There have been a number of significant realisations during the year, including Across Wireless (full), AU System (partial) and Ferretti (partial).

SVIIT's shares of major realisations by the funds during the year were as shown below;

Company	Realisation Value £'000	30 June 1999 Valuation £'000	Cost £'000
Charles Vögele	74,857	57,676	6,274
Across Wireless	43,052	915	915
Ferretti	13,775	3,723*	384*
MSH International	13,355	10,151	1,384
Tetley	10,861	10,569	5,965
AU System	9,382	3,234*	3,234*

* costs and valuations as at 30 June 1999 have been pro rated to reflect the residual holding.

Significant uplifts in value of portfolio companies included;

Company	30 June 2000 Valuation £'000	30 June 1999 Valuation £'000	Change in Year £'000
AU System	21,014	6,838*	14,176
Leica Microsystems	18,544	11,877	6,667
iD2	12,393	746	11,647
EEMS	11,121	1,732	9,389
Ferretti	7,124	2,004*	5,120

* valuations as at 30 June 1999 have been pro rated to reflect the residual holding.

The sale of iD2 was announced in June 2000, however the transaction did not complete until after the year end.

Portfolio Review continued

The valuation is the sum of the proceeds received.

AU System was listed on the OM Stockholm Exchange in June 2000 and approximately one third of the investment was sold, the remainder being subject to a lock-in period of six months.

Ferretti was listed on the Milan Exchange in June 2000 and approximately 65% of the investment was sold. A further 15% of the investment was sold in July 2000, with the remainder being subject to a lock-in period of six months.

Leica Microsystems continues to perform well and is now valued on a PE basis. At 30 June 1999, the valuation basis was cost.

Funds advised by Schroder Ventures invested in EEMS in May 1999. The company has been revalued from cost for the first time and the valuation reflects the company's improved performance during the year.

There have been some write-downs in the portfolio during the year. These have included;

Company	30 June 2000 Valuation £'000	30 June 1999 Valuation £'000	Change in Year £'000
Sirona Dental Systems	10,678	13,916	(3,238)
Datentechnik	2,364	4,872	(2,508)

Sirona had been re-valued at a 25% discount to cost in the first half of the year, due to difficulties in the restructuring of the dental distribution company, coupled with a downturn in the German dental market. No further reduction in value was considered necessary at 30 June 2000.

Datentechnik's valuation reflects a fall in the quoted share price.

CONCLUSION

Performance during the year to 30 June 2000 has been excellent, with a capital return on the portfolio of 56% and an increase of 38.4% in net asset value per share. This has not only been the result of realisations such as Charles Vögele and Across Wireless, but also due to the revaluation of certain portfolio investments, notably AU System, iD2, Ferretti, Leica Microsystems and EEMS.

SVIIT has made considerable commitments to new Schroder Ventures' funds in the year, bringing its total uncalled commitments to £580.7 million. SVIIT continues to have large cash balances, primarily due to the significant realisations received during the year. However, it has paid calls of £162 million during the year, a significant increase on last year (30 June 1999: £49 million) and since the year end, SVIIT has paid calls of approximately £23 million, further reducing its cash balances.

SVIIT's exposure to Continental Europe continues to dominate the portfolio. Whilst this is expected to continue, especially in light of SVIIT's commitment of €750 million to Schroder Ventures European Fund II, the portfolio's geographical exposure is diversifying reflecting SVIIT's commitments to new Schroder Ventures' funds, namely in Asia, US and the Life Sciences' sector. The portfolio's weighting to computer and other electronic markets has doubled in the year. This is not only attributable to major new investments, but also significant increases in value of existing portfolio companies in these sectors.

SVIIT has now reported compound annual net asset growth per share of 23% since its launch in May 1996 and there is still significant potential for continued growth, with 43% of the investments valued at cost and 82% of the investments held for three years and under.

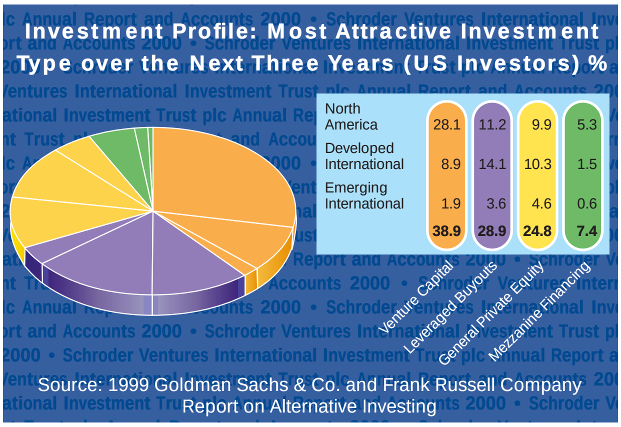
View from Schroder Ventures

GLOBAL OVERVIEW

Private equity has been one of the most rapidly growing asset classes over the last ten years. In 1999, commitments to private equity reached a new record with approximately $127 billion raised for investment in the US, Asia and Europe. The US, being the most mature private equity market, still accounts for the majority of funds raised, but there have been recent strong increases in the supply of funds to the European market.

Historically, growth in this asset class has been driven by the ability of private equity firms to generate returns which significantly outperform comparative quoted markets over the medium to long term.

A more recent driver, however, is the establishment of international private equity (i.e. non-US private equity) as an asset class (see below). Allocations are increasing and new markets are being sought to accommodate this capital.



Outside the US and Europe the industry is still at a less developed stage. In Eastern Europe, US and European government and quasi-government bodies have raised funds and these are now being followed, albeit to a limited extent, by some private funds. The Asia Pacific region is relatively well served by private equity funds, although the pool of available capital is small compared to Western Europe and the US. Latin America is also emerging as a market in its own right.

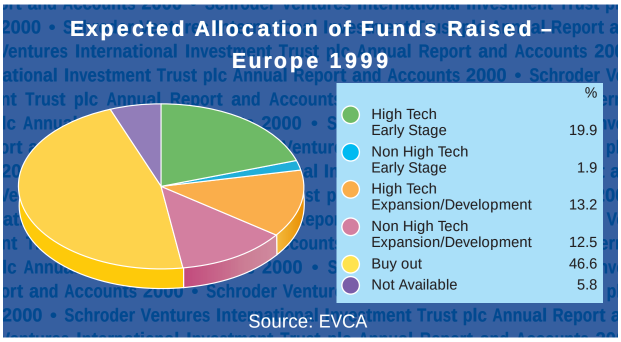
The year 2000 has been dominated by the technology and internet sectors. The steep increase in valuations of quoted companies, especially in the technology sectors, in the first quarter receded in the second quarter, with valuations in some sectors falling by up to 90% as public markets fell-in line with the “correction” on NASDAQ. Since then, mainly spearheaded by renewed interest in the technology, media and telecoms sectors, quoted markets have recovered somewhat.

Despite the turbulent public markets and reduced opportunities for private equity managers to realise investments via IPOs, funds advised by Schroder Ventures have realised a number of holdings in companies via IPO, for example, AU System (partial), Ferretti (partial) and CHL (partial).

EUROPE

Largely driven by the convergence of the markets and the effect of the euro, Continental Europe continues to be an attractive opportunity for private equity investment. Approximately €24.5 billion was raised in 1999 for private equity investment, an increase of 25% year on year and a 220% increase since 1996. The year 2000 is set to be another record breaking year for private equity fund raising, with around €21 billion being raised in the first six months of 2000.

Whilst representing almost 50% of funds raised for private equity in Europe, commitments to buy-out funds decreased marginally in 1999 to €11.8 billion (1998: €12 billion). Commitments to venture capital funds tripled to €8.4 billion, mainly driven by the rapid pace of technological change. Of the funds raised for venture capital, €3.4 billion was earmarked for investment for expansion/development capital, an increase of 100% and €5.1 billion was earmarked for high technology investment, three times the amount raised in 1998.



The strong trend apparent in 1999 of smaller/medium sized UK companies looking to move from public listing to private ownership looks set to continue as more mature companies in “undervalued” sectors struggle for a share of voice and a share of funding. In 1999, there were approximately 50 public to private deals and this year more than ten have been completed in the UK, with others on the way. This trend is filtering into the European marketplace and funds advised by Schroder Ventures have announced three public to private transactions in the first half of 2000, AMS (Austria), Kiekert (Germany) and Hogg Robinson (UK).

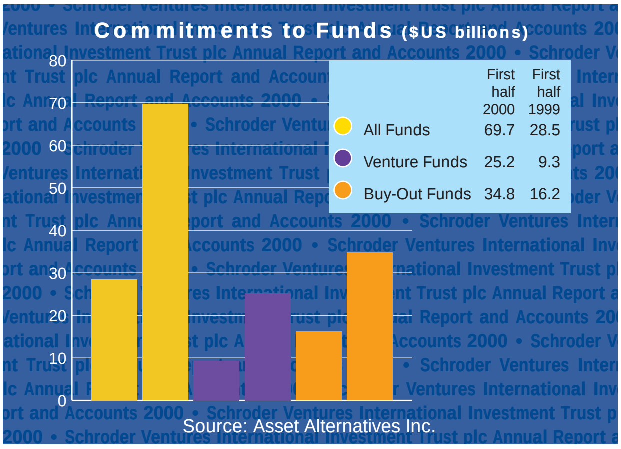
As the need to create value increases in order to support successful bids at auction, another emerging trend is joint deals with corporate buyers are becoming more commonplace. Funds advised by Schroder Ventures have already announced one such deal, the agreed purchase of the VEBA Electronics Group with a consortium that included Arrow Electronics, Inc. and Avnet, Inc.

View from Schroder Ventures continued

On the exit side, despite uncertainty in public markets, disposals during the year have been strong, across all sectors.

NORTH AMERICA

After a record $95 billion was raised in 1999 for private equity in the US, commitments to US private equity funds have continued their rapid pace in the first half of 2000 with nearly $70 billion being committed to 174 funds. These commitments have easily exceeded the amounts raised in the first half of 1998 and 1999, and puts 2000 on course for a seventh year of record-breaking fund raising activity.



Despite the large amounts of capital being committed to private equity funds, investors are being selective. First-time funds and new management teams have found it difficult to raise equity, while existing funds and existing management teams with strong track records have had greater success.

Like Europe, the profile of US funds raised in 1999 changed with commitments to buy-out funds decreasing by 36% to $39 billion, the first decline since 1991, and commitments to venture capital funds jumping 87% to $36 billion. Fundraising in 2000 is on track to follow the same trend and whilst buy-out funds look set to continue to dominate the US private equity market, commitments to venture capital funds in the first half of 2000 have exceeded the total amount raised for venture capital in 1999.

The interest in taking public companies private is gathering pace in the US also, with almost $10.2 billion committed this year to privatise a number of public companies. This compares to $5 billion for the same period last year and approximately $3 billion for the whole of 1998.

The public markets have recovered from their sharp April declines. Both the Dow Jones Industrial Average and NASDAQ are at, or near, where they were at the beginning of the year, although NASDAQ is still down from its record high set earlier this year. Moreover, companies with large cash requirements continue to remain depressed as private equity managers focus on paths to profitability.

The IPO market has improved slightly, but remains selective in the new issues being offered, while the high yield market remains closed to most issuers. These factors have contributed to a significant increase in deal flow as companies in need of financing seek alternative sources.

ASIA PACIFIC

The private equity industry in Asia has received considerable interest during 2000. Many new funds have been established, often by new management groups. Public perceptions of the role of private equity in the region as a whole have been raised by the establishment of some particularly high profile direct investment pools, several of which are listed Hong Kong entities.

There is increased focus on technology investment, with several large technology focused funds established in 2000. This focus mirrors themes that have been seen in other developed private equity markets and is mainly a response to the increased international attention focused on high technology resources in Asia and in particular in India, where many new businesses have grown up in the software industry.

Even with the increase in funds raised targeting investment opportunities in Asia, the markets are still relatively under-served by private equity capital and scope for attractive pricing of investments remains.

JAPAN

As economic conditions and government deregulation continue to improve, many private equity managers are looking to Japan as the potential new growth market. In anticipation of this, there have been a number of new entrants in the Japanese buy-out market.

With the restructuring of corporate Japan and corporations focusing on their core businesses, M&A transactions have almost tripled since 1995. This has been a major catalyst for increasing buy-out activity in Japan – of the eight Management Buy-Outs to be completed since 1995, five of these have occurred within the last year. Three of them were led by Schroder Ventures.

On the exit side, new public markets, such as “Mothers” (Market for High Growth and Emerging Stocks) and NASDAQ Japan will provide additional exit opportunities for private equity firms. Of the 200-250 companies expected to go public in 2000, 50-100 are expected to list either on NASDAQ Japan or Mothers.

Twenty Largest Underlying Companies

In the following pages, we show SVIIT's Twenty Largest Underlying Companies by value as at 30 June 2000.

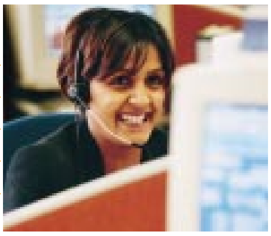
1. AMS (AUSTRIA)

Company (£000's)	
Cost	33,238
Value	34,427
Date of Acquisition	June 2000

AMS designs, manufactures and sells semiconductor speciality products, focussing on analogue and mixed signal ASICS (Application – Specific Integrated Circuits). The company serves the wireless communications, industrial and automotive end customer markets. The valuation basis is cost in fund currency; the holding represents 7.47% of SVIIT's net assets.

2. HOGG ROBINSON (UK)

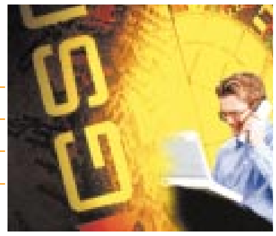
Company (£000's)	
Cost	29,253
Value	29,905
Date of Acquisition	June 2000



Hogg Robinson is a "business to business" services company comprising two principal activities: international business travel and outsourced employee benefit services. The company's travel operations include corporate travel management and e-commerce. The employee benefit services comprise benefit consulting, administration and payment processing. The valuation basis is cost in fund currency; the holding represents 6.49% of SVIIT's net assets.

3. AU SYSTEM GROUP (SWEDEN)

Company (£000's)	
Cost	6,838
Value	21,014
Date of Acquisition	May 1999



AU System is a consultancy and software development business focussed on value added solutions. The business has expertise in advanced wireless technologies. On 21 June 2000 the company was listed on the OM Stockholm Exchange and approximately one third of the investment was sold, the remainder being subject to a lock-in period of six months. The valuation basis is quoted; the holding represents 4.56% of SVIIT's net assets.

4. LEICA MICROSYSTEMS (GERMANY)

Company (£000's)	
Cost	11,611
Value	18,544
Date of Acquisition	March 1998

Leica manufactures and supplies microscopes and related equipment for the healthcare, research and semi conductor industries. The company has leading positions in most of its markets and a strong track record in product innovation. The valuation basis is PE; the holding represents 4.02% of SVIIT's net assets.

Twenty Largest Underlying Companies continued

5. TAKKO (GERMANY)

Company (£000's)	
Cost	17,846
Value	18,014
Date of Acquisition	March 2000

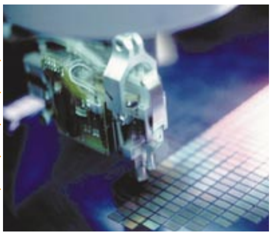
Takko is a retailer of fashionable "value for money" clothing targeting the young family and women aged between 25 and 40. It runs over 520 stores in Germany and Austria. The valuation basis is cost in fund currency; the holding represents 3.91% of SVIIT's net assets.

6. iD2 TECHNOLOGIES (SWEDEN)

Company (£000's)	
Cost	749
Value	12,393
Date of Acquisition	Sept 1998

iD2 develops and sells software for data protection over the internet. The key applications are in payment transactions (e.g. internet banking) and e-commerce. iD2's products allow network users to be identified and authenticated. The investment was fully realised in early July 2000 and the valuation is based on these proceeds; the holding represents 2.69% of SVIIT's net assets.

7. EEMS (ITALY)



Company (£000's)	
Cost	1,750
Value	11,121
Date of Acquisition	May 1999

EEMS performs assembly and test services for DRAM and Flash memory chip manufacturers. It also assembles memory modules which are used in PCs, telecoms and the automotive industry. The valuation basis is PE; the holding represents 2.41% of SVIIT's net assets.

8. SIRONA DENTAL SYSTEMS GROUP (GERMANY)

Company (£000's)	
Cost	14,262
Value	10,678
Date of Acquisition	Nov 1997

Sirona is a manufacturer of professional dental equipment and the only major dental manufacturer with its own distribution network. The company is a total system provider of dental equipment and is recognised globally for providing high quality, technologically superior products covering nearly the entire product range for the dental practice. The company continues to restructure. The valuation basis is write down; the holding represents 2.32% of SVIIT's net assets.

Twenty Largest Underlying Companies continued

9. PARKWAY HOLDINGS (SINGAPORE)

Company (£000's)	
Cost	9,622
Value	10,176
Date of Acquisition	Dec 1999

Parkway is a private healthcare provider in Singapore with an established network of hospitals and clinics in Malaysia, Indonesia and India. The company has the region's best known brand name and a reputation for technological leadership. The valuation basis is quoted; the holding represents 2.21% of SVIIT's net assets.

10. MESA COMMUNICATIONS (USA)

Company (£000's)	
Cost	9,282
Value	9,696
Date of Acquisition	March 2000

Mesa is an independent owner and manager of wireless communication towers, growing aggressively through acquisition and development in the US. The valuation basis is cost in fund currency; the holding represents 2.10% of SVIIT's net assets.

11. BETTS GROUP HOLDINGS (UK)

Company (£000's)	
Cost	6,323
Value	8,119
Date of Acquisition	Nov 1998

Betts is a specialist packaging and injection-moulding business focused on the pharmaceutical and oral care markets. Betts makes toothpaste and pharmaceutical tubes, asthma inhalers and other specialised packaging in plants located in the UK, US, Poland and Asia. The valuation basis is PE; the holding represents 1.76% of SVIIT's net assets.

12. WASHTEC (GERMANY)

Company (£000's)	
Cost	5,939
Value	7,912
Date of Acquisition	Feb 1998

Washtec was formed from the merger of California Kleindienst and Wesumat, and is the global leader in the manufacture of car wash equipment. Schroder Ventures' funds had previously invested in California Kleindienst. The valuation basis is quoted; the holding represents 1.72% of SVIIT's net assets.

Twenty Largest Underlying Companies continued

13. FERRETTI (ITALY)

Company (£000's)	
Cost	206
Value	7,124
Date of Acquisition	Feb 1998

Ferretti is a producer of luxury motor yachts. The company's current position is built on a series of acquisitions, mainly in Italy. A strong sales order book has ensured growth, with sales mainly within Europe (70%) and the US (25%). The company floated on the Milan Stock Exchange on 23 June 2000 and approximately two thirds of SVIIT's investment was realised. The valuation basis is quoted; the holding represents 1.54% of SVIIT's net assets.

14. COMACT (FORMERLY GBA INDUSTRIAL EQUIPMENT) (CANADA)

Company (£000's)	
Cost	2,725
Value	6,282
Date of Acquisition	June 1997

Comact is a leading Canadian manufacturer of industrial equipment for the sawmill, paper, hydroelectric and aluminium industries, with 75% of consolidated revenues arising from sales of sawmill equipment. The valuation basis is PE; the holding represents 1.36% of SVIIT's net assets.

15. THOUGHTWORKS (USA)

Company (£000's)	
Cost	4,980
Value	5,251
Date of Acquisition	April 2000

ThoughtWorks is an internet professional services provider, specialising in the delivery of highly strategic, web-based systems development and systems integration solutions for Fortune 1000 companies. The company focuses on the "business to business" segment of the internet services industry. The valuation basis is cost in fund currency; the holding represents 1.14% of SVIIT's net assets.

16. LAS INTERNATIONAL (JAPAN)

Company (£000's)	
Cost	2,789
Value	3,982
Date of Acquisition	Dec 1993

LAS International has holdings in several companies, the most valuable by far being Sazaby, a Japanese retailer of consumer products and services. Sazaby was floated on the Japanese OTC market in September 1997. The valuation basis is quoted; the holding represents 0.86% of SVIIT's net assets.

Twenty Largest Underlying Companies continued

17. FAVORITE RESTAURANTS (ASIA)

Company (£000's)	
Cost	3,130
Value	3,851
Date of Acquisition	Dec 1996

Favorite operates KFC and Pizza Hut franchises in South East Asia. The strategy is to grow each operation organically and to seek market development. The company continues to perform well. The valuation basis is PE; the holding represents 0.84% of SVIIT's net assets.

18. ARMATURE (UK)

Company (£000's)	
Cost	3,605
Value	3,771
Date of Acquisition	Feb 2000

Armature develops and implements retail supply chain software for large food, drug and hardware retailers in the UK, Europe and North America. The valuation basis is cost in fund currency; the holding represents 0.82% of SVIIT's net assets.

19. ORCHID CHEMICALS AND PHARMACEUTICALS (INDIA)

Company (£000's)	
Cost	4,492
Value	3,684
Date of Acquisition	Nov 1999

Orchid is the fastest-growing pharmaceutical company in India. The company is one of the world's largest producers of cephalosporins, one of the most important classes of antibiotics. The valuation basis is quoted; the holding represents 0.80% of SVIIT's net assets.

20. INDIAN HOSPITALS CORPORATION (INDIA)

Company (£000's)	
Cost	576
Value	3,459
Date of Acquisition	Oct 1995

Indian Hospitals Corporation owns a chain of pharmacies and carries out project management and consultancy work to set up private hospitals in the Indian sub-continent and Middle and Far East. The valuation basis is quoted; the holding represents 0.75% of SVIIT's net assets.

List of Investments at 30 June 2000

	Year Formed	Original Life (years)	SVIIT's Holding in the Fund %	Value of SVIIT's Holding £'000	SVIIT's Net Assets %
ASIA					
Asia Pacific Trust Formed to invest in equity and near-equity investments in the high growth economies of the Asia Pacific region. This trust has been in liquidation since 1998.	1990	8*	6.4	1,155	0.2
Asia Pacific Fund II Established to make equity and near-equity investments in buy-outs, buy-ins, development capital businesses and turnarounds, principally in the Asia Pacific region with an emphasis on Australia, China, Hong Kong, India, Indonesia, Malaysia, Singapore and Thailand.	1994	10	14.0	20,149	4.4
Schroder Ventures Asia Pacific Fund Established to make equity or near equity investments in companies that have significant exposure to the Asia Pacific region. The fund will focus principally on management buy-outs and buy-ins, financial acquisitions and larger development capital opportunities. The principal geographical focus of the fund will be in Australia, New Zealand, India, Hong Kong, Singapore and Thailand.	1999	10	28.3	15,989	3.5
Co-investments with Asia Pacific Fund II and Schroder Ventures Asia Pacific Fund:					
Cobalt (Parkway)				2,179	0.5
The Japan Venture Fund II Formed as a successor to The Japan Venture Fund to invest in Japanese businesses with potential for capital growth.	1990	10	13.7	4,762	1.0
The Japan Venture Fund III Established to invest directly or indirectly in equity and near equity investments in a diversified portfolio of early stage, or development capital investments and leveraged and management buy-outs and buy-ins principally in Japan.	1997	10	17.7	9,464	2.0
TOTAL ASIA				**53,698**	**11.6**

List of Investments continued

	Year Formed	Original Life (years)	SVIIT's Holding in the Fund %	Value of SVIIT's Holding £'000	SVIIT's Net Assets %
CONTINENTAL EUROPE					
Schroder Ventures European Fund The first $1 billion fund raised for equity investment in Europe focusing on large and medium-sized leveraged buy-out opportunities.	1997	10	22.0	96,752	21.0
Schroder Ventures European Fund II Formed as the successor to Schroder Ventures European Fund, the fund will focus on European Buy-Outs and Buy-Ins, in addition to growth capital investments (typically within the technology and life sciences industries). The main sector focus of the fund will be technology, healthcare, engineering and consumer products and services.	2000	10	26.8	54,335	11.8
Schroder French Buy-Out Fund The fund's policy was to invest in leveraged buy-outs and development capital businesses primarily in France. The fund was put into liquidation in December 1999.	1989	10	39.8	441	0.1
Schroder Ventures French Enterprise Fund Formed with a policy of investing in development capital opportunities, principally in France.	1992	10	19.0	4,693	1.0
Schroder Ventures French Buy-Out Club 1995 The main focus is on buy-outs of private companies and consideration is also given to investment in turnarounds and special situations.	1995	n/a	27.9	691	0.1
Schroder German Buy-Outs Established to invest in buy-outs of companies in Germany and some of its neighbouring countries.	1986	10*	29.7	8,673	1.9
Schroder German Buy-Outs 1992 Established to invest in a diverse portfolio of buy-outs, buy-ins, development capital businesses and turnarounds, principally in Germany, Austria and Switzerland.	1991	10	19.4	6,358	1.4
The Italian Venture Fund Established to invest in buy-outs and development capital businesses, principally in Italy.	1988	10*	33.2	256	0.1
Schroder Ventures Italian Fund II Established as a successor to The Italian Venture Fund to make equity and near-equity investments in buy-outs and buy-ins, including development capital businesses, principally in Italy.	1993	10	21.0	24,816	5.4
The Spanish Venture Fund Established with a policy of investing in leveraged buy-outs and development capital businesses in Spain.	1990	10	23.2	2,083	0.5
TOTAL CONTINENTAL EUROPE				**199,098**	**43.3**

List of Investments continued

UNITED KINGDOM	Year Formed	Original Life (years)	SVIIT's Holding in the Fund %	Value of SVIIT's Holding £'000	SVIIT's Net Assets %
Schroder UK Buy-Out Fund II Established to invest in larger leveraged buy-outs principally in the United Kingdom.	1988	10*	23.2	1,078	0.2
Schroder UK Buy-Out Fund III Established as Schroder Ventures' third buy-out fund in the United Kingdom to invest in equity and near-equity investments in buy-outs, buy-ins, development capital businesses and turnarounds.	1993	10	18.8	15,529	3.4
Schroder UK Venture Fund Established as Schroder Ventures' first fund in the United Kingdom with a view to investing in buy-out and development capital businesses in the United Kingdom.	1985	10*	49.0	314	0.1
Schroder UK Venture I Extension Fund Established to be the recipient of the distributions from certain unitholders in Schroder UK Venture Fund.	1991	9	17.5	82	0.0
Schroder UK Venture Fund III Established to invest in a diversified portfolio of venture or development capital businesses and buy-outs principally in the United Kingdom.	1990	10	8.7	1,453	0.3
Schroder UK Venture Fund IV Established to follow the policies of the fully invested third UK venture fund.	1995	10	4.2	3,884	0.8
TOTAL UNITED KINGDOM				**22,340**	**4.8**

List of Investments continued

NORTH AMERICA	Year Formed	Original Life (years)	SVIIT's Holding in the Fund %	Value of SVIIT's Holding £'000	SVIIT's Net Assets %
Schroder Canadian Buy-Out Fund II Established to invest in buy-outs and development capital opportunities, principally in Canada.	1994	10	22.6	8,635	1.9
Co-investments with Schroder Canadian Buy-Out Fund II:					
Comact				2,720	0.6
Fib-Pak				355	0.1
Flexia				1,734	0.4
Huntingdon Mills				2,055	0.4
Med-Eng				325	0.1
Nova Pb				178	0.0
Schroder Ventures International Life Sciences Fund Established to invest in life sciences companies principally in the United States, the United Kingdom and Continental Europe.	1993	10	6.8	2,824	0.6
Schroder Ventures International Life Sciences Fund II Established as a successor to Schroder Ventures International Life Sciences Fund, to invest in a diversified portfolio of life sciences companies principally in the United States and Europe. The majority of these investments will be in early stage opportunities.	1999	10	29.1	15,611	3.4
Schroder US Venture Fund Established to invest in a portfolio of buy-out and development capital businesses, principally located in the United States. The fund was put into liquidation in 1999.	1988	10*	14.6	–	–
Schroder Ventures US Fund Established to invest in larger development capital and mid-size buy-outs in the US, with a particular focus on media, telecommunications and technology sectors.	1999	10	30.0	17,637	3.8
TOTAL NORTH AMERICA				**52,074**	**11.3**
Total fund portfolio				**327,210**	**71.0**
Fixed interest investments				**126,309**	**27.4**
Total investment portfolio				**453,519**	**98.4**
Current assets less total liabilities				**7,606**	**1.6**
Total net assets				**461,125**	**100.0**

* The lives of these funds have been extended.

Notes

1. Schroder UK Venture Fund II and Schroder Canadian Buy-Out Fund terminated during the year and are therefore excluded from the list of investments.

Report of the Directors for the year ended 30 June 2000

The Directors submit their report and the audited accounts of the Company for the year ended 30 June 2000.

COMPANY'S BUSINESS

The Company carries on business as an investment trust. In order to obtain exemption from capital gains tax the Company has conducted itself with a view to being an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). The last accounting period for which the Company has been treated as approved by the Inland Revenue as meeting the qualifying criteria for investment trust status is the year ended 30 June 1999 and the Company has subsequently conducted its affairs so as to enable it to continue to qualify for such approval. However, under Corporate Tax Self Assessment, which applies to accounting periods ending after 30 June 1999, the Inland Revenue will no longer be obliged to give written confirmation that approval has been granted. 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 on page 4 and the Portfolio Review on page 6.

REVENUE AND EARNINGS

The net return for the year after expenses, interest, taxation and minority interests was £4,729,000 (1999: £2,344,000), equivalent to a return per ordinary share of 4.68p (1999: 2.35p).

DIVIDEND

The Company is prohibited by its Articles of Association from distributing as dividends any capital surpluses which arise from the realisation of investments. Accordingly, any dividends paid by the Company will be funded out of its revenue account.

The Company's investment objective is one of capital growth and it is anticipated that returns for shareholders will derive primarily from capital. However, the Directors recommend the payment of a final dividend of 3.80 pence per share (1999: 1.50 pence) in order to meet the requirements to ensure that the Company continues to qualify as an investment trust. This distribution leaves a balance of £843,000 to be transferred to the consolidated revenue reserve.

POLICY FOR PAYMENT OF CREDITORS

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the relevant markets in which it operates. All other expenses are paid on a timely basis in the ordinary course of business. The Company had no trade creditors at 30 June 2000.

NEW ARTICLES OF ASSOCIATION

As referred to in the Chairman's Statement, the Company is proposing to adopt new Articles of Association which will permit the trading of shares through CREST. Several other changes are also proposed which reflect minor amendments to the Listing Rules of the UK Listing Authority.

DIRECTORS' REMUNERATION

An ordinary resolution is proposed pursuant to Article 1(F) of the Articles of Association to increase the maximum aggregate remuneration payable to directors to £200,000.

PURCHASE OF SHARES FOR CANCELLATION

During the year ended 30 June 2000 the Directors did not use the authority given to them to purchase ordinary shares for cancellation.

The total number of shares in issue on 31 August 2000 was 102,265,699 shares. The Directors wish to renew the authority to purchase shares for cancellation. A resolution authorising the Directors to purchase up to 14.99% of the share capital in issue on 31 August 2000 will be proposed at the forthcoming Annual General Meeting for which notice is given on page 53.

This authority will lapse at the conclusion of the Company's Annual General Meeting in 2001, unless renewed earlier.

During the year, restrictions in place when the Company sought approval to the implementation of a share buy-back scheme, which required the Company to relinquish investment company status, have now been lifted. The effect of this on the Company is that it has reapplied to become an investment company.

ISSUES OF NEW SHARES

At the Annual General Meeting of the Company in December 1999 the Directors were also given the power to allot new ordinary shares for cash. The Directors wish to renew the power to allot new ordinary shares for cash at the forthcoming Annual General Meeting.

If ordinary shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 requires such new shares to be offered first to existing holders of ordinary shares. This entitlement is known as a "pre-emption right". In certain circumstances it is beneficial for the Directors to allot shares for cash otherwise than pro rata to existing shareholders and the Companies Act 1985 provides for shareholders to give such power to the Directors by waiving their pre-emption rights.

Report of the Directors continued

Therefore, Resolutions 8 and 9, will be proposed at the Annual General Meeting, the combined effect of which, if passed, will give the Directors power to allot ordinary shares for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £5,113,284 (equivalent to 5,113,284 ordinary shares of £1 and 5 per cent. of the Company's existing issued ordinary share capital at 31 August 2000), as if Section 89 (1) of the Companies Act 1985 did not apply.

This authority will lapse at the conclusion of the Company's Annual General Meeting in 2001, unless renewed earlier.

The Directors intend to use this authority to issue new shares to investors whenever they believe it is advantageous both to those investors and to the Company's existing shareholders to do so. The authority will not be used in circumstances where the interests of existing shareholders are diluted and shares will only be issued at a price which exceeds the net asset value attributable to the shares at the time of issue.

DIRECTORS

The Directors of the Company and their beneficial and family interests in the Company's share capital during the year to 30 June 2000 are given below:

	Ordinary Shares of £1.00 each	
	At 30 June 2000	At 1 July 1999
Beneficial		
J J McLachlan	14,372	12,854
N E H Ferguson	175,000	175,000
C J Govett	67,500	67,500
A J Habgood	25,000	25,000
E W Koning	Nil	Nil
I P Sedgwick	17,500	7,500
J Strangfeld	Nil	Nil
Non Beneficial		
C J Govett	20,000	20,000

There had been no change in the above holdings up until 31 August 2000. In accordance with the Company's Articles of Association, Mr Govett, Mr Habgood and Mr Koning will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

None of the Directors has a contract of service with the Company. Mr Ferguson and members of his family have an interest in the Carried Interest in respect of certain Schroder Ventures' funds. Mr Sedgwick is Chairman of Schroders plc, whose subsidiaries include Schroder Investment Management Limited which receives fees from the Company in accordance with the terms of a secretarial agreement, and Schroder Investment Management (UK) Limited which receives fees for the provision of cash management services. Full details of fees paid to both companies can be found in Note 26 on page 44. No other Director has any material interest in any other contract which is significant to the Company's business.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company had 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

At 31 August 2000 the Company had been notified of the following interests in excess of 3 per cent. of the issued capital.

	Shares Number of ordinary shares	Percentage of class
Schroders plc and its subsidiaries:		
– non beneficial, managed for clients	15,636,218	15.29
– beneficial	13,113,449	12.82
The Prudential Insurance Company of America	13,196,711	12.90
Aegon Aandelenfonds NV	12,780,309	12.50
British Aerospace Pension Fund	5,100,000	4.99
BBC Pension Trust Limited	4,127,712	4.04

AUDITORS

Ernst & Young 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.

Registered Office
31 Gresham Street
London
EC2V 7QA

Registered Number: 3066856
5 September 2000

By order of the Board
Schroder Investment Management Limited
Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the return for the year, and are in accordance with applicable laws and regulations.

The Directors are satisfied that the Group 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error, other irregularities and non-compliance with laws and regulations.

The Directors confirm that they have complied with these responsibilities.

Corporate Governance

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

APPLICATION OF CODE PRINCIPLES

THE BOARD

The Board currently consists of seven non-executive directors, the majority of whom are independent of Schroder Ventures and of the Company Secretary. (see page 2).

The Board normally meets four times a year. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice if deemed necessary at the expense of the Company. The directors have access to the advice and services of the Corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

When a director is appointed he or she receives an induction which is provided by the Company Secretary and other parties where appropriate. An induction pack is given to each new director and relevant training is provided. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal financial controls. Changes affecting directors' responsibilities are advised to the Board as they arise. The Board receives and considers reports regularly from the investment manager and ad hoc reports and information are supplied to the Board as required. In addition, directors attend ad hoc seminars covering the latest developments across the investment trust industry.

The Board has contractually delegated to Schroder Investment Management (UK) Limited, the management of the Company's cash balances and the day to day accounting and company secretarial requirements to Schroder Investment Management Limited. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation in so far as they relate to the affairs of the Company, and each are monitored on an annual basis by the Management Engagement Committee.

The Board has established a Nomination Committee as a result of the recommendations of the Combined Code, to make recommendations on the appointment of new directors. A formal procedure for the appointment of new directors is contained in the terms of reference of the Committee. The Committee meets as necessary to make recommendations to the Board on the filling of Board vacancies. The Committee consists of all the directors of the Company. In making its recommendations, the Committee is required to ensure that the composition of the Board is appropriately balanced in expertise and ability.

In accordance with the Association of Investment Trust Companies ("AITC") recommendation, a Management Engagement Committee with defined terms of reference and duties, was established in 1998, which consists of all the independent non-executive directors, to review and discuss the terms of the Secretarial Agreement with Schroder Investment Management Limited and the Cash Management Agreement with Schroder Investment Management (UK) Limited.

The Investment Committee, which consists of a majority of independent directors, is responsible, together with the Board, for the day-to-day management of the Company's investment portfolio. In particular, the Committee is responsible for reviewing investment proposals for the Company, for giving investment recommendations to the Board and for implementing the Board's decision as regards any investment.

There is also an Audit Committee consisting of all the independent non-executive directors with defined terms of reference and duties. The function of the Audit Committee is to ensure that the Company maintains the highest standards of integrity, financial reporting and internal control. It also meets with representatives of Schroder Ventures and the Company Secretary and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the Company.

Corporate Governance continued

All non-executive directors are appointed for an initial term covering the period from the date of their appointment until the first Annual General meeting thereafter, at which they are required to stand for re-election, in accordance with the existing Articles of Association. Thereafter Directors retire by rotation at least every three years.

DIRECTORS' REMUNERATION

Under the London Stock Exchange's Listing Rule 21.20(i), where an investment trust company has no executive directors the Code principles relating to directors' remuneration do not apply. The Chairman receives a fee of £25,000 per annum, and the other members of the Board each receive £10,000 per annum.

RELATIONS WITH SHAREHOLDERS

The Board, together with Schroder Ventures, has an annual programme of meetings with institutional shareholders. The Board believes that the Annual General Meeting provides an effective forum for private investors to communicate with the Board, and encourages participation. All directors are expected to attend the Annual General Meeting and the Investment Manager makes a presentation. There is an opportunity for individual shareholders to question the Chairman of the Board and the Chairman of the Audit and Management Engagement Committees at the Annual General Meeting. The Company announced the level of votes cast by proxy on resolutions proposed at last year's Annual General Meeting, and intends to announce the votes cast by proxy in a similar manner at future General Meetings.

The Board believes that the Company's policy of reporting to shareholders as soon as possible after the Company's year end and holding the earliest possible Annual General Meeting is valuable. The Notice of Meeting on page 53 sets out the business of the meeting.

EXERCISE OF VOTING POWERS

The Company has approved a corporate governance voting policy in respect of its investments which, in summary, is based on the governance recommendations of the Code of Best Practices from Cadbury and Greenbury with the intention of voting in accordance with best practice whilst maintaining a primary focus on financial returns.

ACCOUNTABILITY AND AUDIT

The directors' statement of responsibilities in respect of the financial statements is on page 25 and a statement of going concern is set out below.

The report of the auditors can be found on page 29.

The Board has previously reported on internal financial controls in line with the issued guidelines. New guidelines were issued in late September 1999 for the review of internal controls ("the Turnbull guidance"). As permitted by the London Stock Exchange, the Company has adopted the transitional approach for reporting on the internal controls aspects of the Combined Code.

The Board has undertaken a full review of all the aspects covered by the Turnbull guidance and believes that there is a robust and dynamic framework substantially in place to meet the requirements of the Code. The Board is currently finalising all measures necessary to implement the Turnbull guidance in full. It is the Board's intention to be compliant with the Code in December 2000.

For the financial year under review, The London Stock Exchange has permitted the directors to report on internal financial control in accordance with the existing guidance for directors on internal control and financial reporting which was issued in December 1994.

The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. The financial controls operated by the Board include the authorisation of the investment strategy and regular reviews of the financial results and investment performance. As stated above, the Board has contractually delegated to external agencies the services the Company requires.

These systems of internal financial control are designed to

Corporate Governance continued

provide reasonable, but not absolute, assurance against material misstatement or loss. By the procedures set out above the directors have kept under review the effectiveness of the internal financial controls throughout the year.

STATEMENT OF GOING CONCERN

The directors are of the opinion that, at the time of approving the financial statements, the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF COMPLIANCE

The Board considers that it has complied with the provisions contained within Section 1 of the Combined Code (as annexed to the Listing Rules) throughout the accounting period under review except as follows:

The Board considers the Chairman to be the main point of contact to whom concerns from whatever source or of whatever nature may be conveyed. In the event that a shareholder does not wish to raise a concern with him, the Board is of the view that such a shareholder should be free to contact any of its other non-executive members and it has decided that it is not appropriate to nominate a single senior independent member. In this respect, the Company has not complied with part of provision A.2.1 of the Code.

Although the Combined Code requires the Company to report on internal controls, the Company has continued to report only on internal financial controls as permitted by the London Stock Exchange.

Report of the Auditors

To the Members of Schroder Ventures International Investment Trust plc

We have audited the accounts on pages 30 to 46 which have been prepared under historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 33 to 35.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the annual report. As described on page 25, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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

We review whether the corporate governance statement on pages 26 to 28 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

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

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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 affairs of the Company and of the Group as at 30 June 2000 and the total return of the Company and Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
London
5 September 2000

Consolidated Statement of Total Return

(INCORPORATING THE REVENUE ACCOUNT)

	Notes	For the year ended 30 June 2000 Revenue £'000	Capital £'000	Total £'000	For the year ended 30 June 1999 Revenue £'000	Capital £'000	Total £'000
Realised gains on investments	9	–	86,485	86,485	–	54,392	54,392
Unrealised gains on investments	9	–	41,076	41,076	–	52,445	52,445
Gains on investments		–	127,561	127,561	–	106,837	106,837
Foreign exchange (losses)/gains on currency balances	1f	–	(415)	(415)	–	167	167
Income	3	6,123	–	6,123	3,613	–	3,613
Expenses	4	(1,323)	(3)	(1,326)	(878)	–	(878)
Net return before finance costs and taxation		4,800	127,143	131,943	2,735	107,004	109,739
Interest payable	5	(251)	–	(251)	(766)	–	(766)
Net return on ordinary activities before taxation		4,549	127,143	131,692	1,969	107,004	108,973
Tax on ordinary activities	6	180	–	180	380	–	380
Return on ordinary activities after tax for the year		4,729	127,143	131,872	2,349	107,004	109,353
Minority interest – equity		–	(99)	(99)	(5)	(48)	(53)
Return on ordinary activities after tax and minority interest for the year attributable to equity shareholders		4,729	127,044	131,773	2,344	106,956	109,300
Dividends							
Final dividend of 3.80p (1999: 1.50p) per ordinary share payable 7 December 2000	7	(3,886)	–	(3,886)	(1,484)	–	(1,484)
Surplus transferred to reserves		843	127,044	127,887	860	106,956	107,816
Return per ordinary share	8	4.68p	125.87p	130.55p	2.35p	107.26p	109.61p

The notes on pages 33 to 46 form an integral part of these accounts.

The revenue column of this statement is the consolidated profit and loss account of the group. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

Balance Sheets

	Notes	At 30 June 2000 Group £'000	At 30 June 2000 Company £'000	At 30 June 1999 Group £'000	At 30 June 1999 Company £'000
INVESTMENTS					
Venture funds	9	**327,210**	**290,805**	226,368	196,978
Fixed interest investments	9	**126,309**	**126,309**	84,067	84,067
Investment in subsidiaries	11	**–**	**39,539**	–	29,778
		453,519	**456,653**	310,435	310,823
CURRENT ASSETS					
Debtors	12	**2,903**	**1,144**	16,866	16,863
Cash at bank		**48**	**44**	42	35
Short-term deposits		**10,232**	**8,362**	33,228	32,446
		13,183	**9,550**	50,136	49,344
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	13(a)	**5,087**	**5,078**	26,941	26,929
NET CURRENT ASSETS		**8,096**	**4,472**	23,195	22,415
TOTAL ASSETS LESS CURRENT LIABILITIES		**461,615**	**461,125**	333,630	333,238
Creditors: amounts falling due after more than one year					
(including convertible bonds)	13(b)	**–**	**–**	(10,753)	(10,753)
Minority interest – non-equity		**(100)**	**–**	(100)	–
Minority interest – equity		**(390)**	**–**	(292)	–
NET ASSETS		**461,125**	**461,125**	322,485	322,485
CAPITAL AND RESERVES					
Called up share capital	16	**102,266**	**102,266**	98,966	98,966
Share premium account	17	**7,453**	**7,453**	–	–
Capital redemption reserve	18	**3,204**	**3,204**	3,204	3,204
Share purchase reserve	19	**92,054**	**92,054**	92,054	92,054
Capital reserve	20	**254,002**	**253,543**	126,958	126,475
Revenue reserve	21	**2,146**	**2,605**	1,303	1,786
EQUITY SHAREHOLDERS' FUNDS	22	**461,125**	**461,125**	322,485	322,485
Net asset value per ordinary share	23	**450.9p**		325.9p	

The accounts were approved by the Board of Directors on 5 September 2000 and signed on behalf of the Board by:

John J. McLachlan
Nicholas E. H. Ferguson
Directors

The notes on pages 33 to 46 form an integral part of these accounts.

Consolidated Cash Flow Statement

	Notes	For the year ended 30 June 2000 £'000	For the year ended 30 June 1999 £'000
OPERATING ACTIVITIES			
Income received from investments		**5,127**	3,122
Bank interest received		**364**	654
Administrative expenses		**(971)**	(1,020)
Net cash inflow from operating activities	24	**4,520**	2,756
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		**(63)**	(13)
Convertible bond interest paid		**(376)**	(753)
Net cash outflow from returns on investments and servicing of finance		**(439)**	(766)
TAXATION			
UK tax recovered/(paid)		**521**	(322)
Total tax recovered/(paid)		**521**	(322)
FINANCIAL INVESTMENT			
Purchase of fixed interest securities		**(756,631)**	(493,844)
Sale of fixed interest securities		**706,525**	485,857
Calls paid		**(161,666)**	(49,721)
Capital distributions received		**186,082**	80,930
Net cash (outflow)/inflow from financial investment		**(25,690)**	23,222
EQUITY DIVIDENDS PAID			
Dividends		**(1,484)**	(1,287)
Total dividends paid		**(1,484)**	(1,287)
FINANCING			
Realised exchange (losses)/gains on currency balances		**(415)**	167
Shares purchased for cancellation		**–**	(4,983)
Capital expenses		**(3)**	(58)
Stamp duty		**–**	(25)
Net cash outflow from financing		**(418)**	(4,899)
NET CASH (OUTFLOW)/INFLOW		**(22,990)**	18,704

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	For the year ended 30 June 2000 £'000	For the year ended 30 June 1999 £'000
(Decrease)/increase in cash during the year		**(22,990)**	18,704
Debt converted into equity		**10,753**	–
Change in net funds		**(12,237)**	18,704
Net funds at the beginning of the year		**22,517**	3,813
Net funds at the end of the year	25	**10,280**	22,517

The notes on pages 33 to 46 form an integral part of these accounts.

Notes to the Accounts

1. ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below:

a) These accounts have been prepared under the historical cost convention modified to include certain investments at valuation, and in accordance with accounting standards applicable in the United Kingdom and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". The accounting policies used to prepare the accounts have no material variations from generally accepted accounting principles in the United States and those required by SEC Regulation S-X.

b) Company revenue account

The Company will not present its own revenue account but, as permitted by section 230 of the Companies Act 1985, will disclose information supplementing the revenue account as specified in paragraphs 52 to 57 of Schedule 4 of the Companies Act 1985.

c) Fixed asset investments

Equity share investments, fixed income and loan investments, interests in partnerships and unit trusts, together with interests in any associated undertakings and the investments in the various Schroder Ventures' funds, will be regarded as financial fixed assets as they are held for long term investment purposes. The treatment of associated undertakings in the same way as other fixed asset investments is in accordance with Financial Reporting Standard 9.

d) Valuation of investments

The Company's investments in the various Schroder Ventures' funds are valued by the Directors at the balance sheet date by valuing the underlying investments comprising the portfolios of the Schroder Ventures' funds in accordance with the valuation policies set out below, as adjusted, where appropriate, for other assets and liabilities of the Schroder Ventures' funds. The valuation policies of the Company are consistent with the current guidelines issued by the British Venture Capital Association ("BVCA"). In accordance with these guidelines where, in an exceptional case, the strict application of the valuation policies set out below, would not, in the opinion of the Directors, result in a fair value being ascribed to an investment, the Directors may adopt an alternative valuation in accordance with the overriding BVCA principle that the value should be a fair one.

Quoted investments

All investments listed on recognised stock exchanges are valued at the quoted mid-market price at the balance sheet date. If an investment is subject to restrictions affecting its disposal, or if the holding is significant in relation to the issued share capital, a discount of generally between 0 per cent. and 50 per cent. to that price will be applied.

Unquoted equity investments

(i) All Early Stage Equity investments are valued at cost unless one of the following applies:

(1) performance indicates that there has been a permanent and significant diminution in the valuation of the investment. If this is the case, provisions in incremental tranches of 25 per cent. of original cost will be made; or

(2) a significant transaction involving an independent third party at arm's-length values the investment at a materially different value.

(ii) All Development Stage Equity investments are valued at cost, or cost less a provision, for at least one year unless this basis of valuation is unsustainable.

Thereafter, they will be valued as follows:

(1) where available, either on the basis of a significant transaction by an independent third party in the equity of the investee company or an independent third party valuation of the equity; or

(2) where a significant portion of the assets are held in real property on the basis of discounted net asset values; or

Notes to the Accounts continued

1. ACCOUNTING POLICIES continued

(3) where the investee company is performing significantly below expectations, at cost less provisions in incremental tranches of 25 per cent; or

(4) where the company is profitable and performing satisfactorily, on the basis of earnings (A) capitalised at an appropriate price-earnings multiple (B);

(A) the earnings of the investee company will be based on the latest audited accounts or management accounts where appropriate and

(B) the price-earnings multiple:

- will take into account the capital and debt structure of the investee company

- will be based on either comparable company or industry sector multiples taken from the relevant stock exchange

- will be subject to a minimum discount of 25 per cent. to reflect risk, the illiquidity of the investment and the approximate nature of a valuation based on earnings unless early realisation is expected in which case a smaller discount will be applied.

Unquoted loan stock and preference shares

Loan stock and preference shares will be valued at cost plus any accrued interest and redemption premia less, in cases where the investee company is performing significantly below expectations, any provisions in incremental tranches of 25 per cent.

Carried interest and management fees

For the purpose of valuing the Company's holdings in the various Schroder Ventures' funds, management fees due to Schroder Ventures will be accounted for on the accruals basis. An estimate of Carried Interest, the allocation to Schroder Ventures of 20 per cent. of the profits arising in each Fund calculated by reference to the valuations of the underlying investments, will be deducted from the values of the Company's holdings. Disclosed valuations of individual investee companies will, by necessity, be shown before deduction of Carried Interest.

e) Income and capital gains recognition

The Company's income and capital gains are expected to be derived primarily from future distributions in respect of its holdings in Schroder Ventures' funds. The Company will account for such distributions by reference to the underlying source of the distribution.

Revenue distributions receivable by the Company which arise from dividends, interest and other revenue items through the Schroder Ventures' funds will be credited to the Company's revenue account when such income distributions are declared. Investment income arising from directly held investments of the Company will, in the case of dividends, be included as revenue in the period in which they go ex-dividend, and, in the case of interest income which, together with interest payable and all other revenue expenses, will be treated on an accruals basis.

Realised profits on capital distributions receivable by the Company which arise from the realisation of investments within the Schroder Ventures' funds will be credited to the Company's capital reserve when they are declared.

f) Foreign currencies

Transactions denominated in foreign currencies will be translated at the exchange rate at the date of the transaction. Assets and liabilities recorded in foreign currencies will be translated into sterling at exchange rates at the date of the accounts. Exchange differences arising from the re-translation of the opening net investments will be taken to reserves and reported in a consolidated statement of total return. All other foreign exchange differences will be included as an exchange gain or loss in capital reserve or in the revenue account depending on whether the gain or loss is of a capital or revenue nature respectively.

Notes to the Accounts continued

1. ACCOUNTING POLICIES continued

g) Finance costs

All finance costs are charged directly to revenue.

h) Basis of consolidation

The consolidated statement of total return and balance sheet include the financial statements of the company and its subsidiary undertakings made up to the balance sheet date. Goodwill arising on consolidation is written off against reserves on acquisition. In the Company's accounts, investments in subsidiary undertakings are stated in accordance with the policies outlined under (d) above.

i) Capital reserves

Capital Reserve – Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments calculated by reference to their carrying value at the previous balance sheet date.

- Realised exchange differences of a capital nature.

Capital Reserve – Unrealised

The following are accounted for in this reserve:

- increases and decreases in the revaluation of investments held at the year-end

- unrealised exchange differences of a capital nature.

2. INVESTMENT COMPANY STATUS

During the year, the Company reapplied to become an investment company within the meaning of s266, Companies Act 1985. Therefore the Company did not qualify as an investment company for the entire financial year. However, it continued to conduct its affairs as an investment trust for taxation purposes under s842 of the Income and Corporation Taxes Act 1988, and the Articles of the company prohibit capital profits from being distributed by way of dividend. As such, the directors consider it necessary to continue to present the financial statements in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (the SORP). Under the SORP, the financial performance of the Company is presented in a statement of total return in which the revenue column excludes certain capital items which, since the Company did not qualify as an investment company throughout the year, the Companies Act and/or FRS3 would ordinarily require to be included in the revenue account. Under these provisions, profits on disposal of investments, calculated by reference to their previous carrying amount, of £86.5 million (1999: £54.4 million) and realised exchange losses of £0.4 million (1999: gain of £0.2 million) would have been debited/credited to the revenue account. In the opinion of the directors the inclusion of these items in the revenue account would be misleading because they would obscure and distort both the revenue and capital performance of the Company, and would not show clearly the revenue profits emerging to be distributable by way of dividend. The directors therefore consider that these departures from the specific provisions of Schedule 4 of the Companies Act relating to the form and content of financial statements for companies other than investment companies and these departures from accounting standards are necessary to give a true and fair view. The departures have no effect on total return or on the balance sheet.

Notes to the Accounts continued

3. INCOME

	For the year ended 30 June 2000 Group £'000	For the year ended 30 June 1999 Group £'000
Income from fixed interest securities	**5,235**	2,993
Income from distributions	**456**	–
Interest receivable and similar income	**432**	620
	6,123	3,613

4. EXPENSES

	For the year ended 30 June 2000 Group £'000	For the year ended 30 June 1999 Group £'000
Administration and secretarial fees	**378**	285
Bank loan facility fees	**217**	210
EDR issue costs	**259**	–
General expenses	**340**	294
Directors' fees	**85**	65
Auditors' remuneration		
- audit	**26**	21
- non-audit	**18**	3
	1,323	878

5. INTEREST PAYABLE

	For the year ended 30 June 2000 Group £'000	For the year ended 30 June 1999 Group £'000
Convertible bond interest	**188**	753
Other interest	**63**	13
	251	766

Notes to the Accounts continued

6. TAXATION

The charge for taxation on the net surplus of revenue for the year is made up as follows:

	For the year ended 30 June 2000 Group £'000	For the year ended 30 June 1999 Group £'000
Corporation tax	**34**	–
Less: relief for overseas tax	**(34)**	–
	–	–
Overseas tax	**41**	–
Tax over-provided in previous years	**(221)**	(380)
	(180)	(380)

There are no profits chargeable to corporation tax in the current year because excess management expenses relating to the venture fund investments are available to set against the taxable income of the Company. These excess management expenses are included within the investments in venture funds in the balance sheet of the Company and are not reflected in the Company's revenue account. The amount of £221,000 (1999: £380,000) credited as an adjustment to prior year's tax charges relates to similar excess management expenses which reduce the Company's profits chargeable to corporation tax provided in earlier years.

If in a future year in relation to the venture fund investments, income exceeds expenses, the taxation charge to the Company's revenue account will include tax on this excess with a suitable note by way of explanation.

7. DIVIDENDS

	For the year ended 30 June 2000 Group £'000	For the year ended 30 June 1999 Group £'000
Final dividend of 3.80p (1999: 1.50p) per share	**3,886**	1,484

The final dividend is based on 102,265,699 (1999: 98,966,319) ordinary shares in issue.

8. RETURN PER ORDINARY SHARE

	For the year ended 30 June 2000			For the year ended 30 June 1999		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Return per ordinary share	**4.68p**	**125.87p**	**130.55p**	2.35p	107.26p	109.61p
Return per ordinary share – fully diluted	**4.68p**	**125.87p**	**130.55p**	*	102.14p	104.88p

*Fully diluted return is not applicable (see below)

The basic revenue return per ordinary share is based on the net return on ordinary activities after interest payable, taxation and minority interest of £4,729,000 (1999: £2,344,000) and on 100,931,523 ordinary shares (1999: 99,716,263) being the weighted average number of shares in issue during the year.

The capital return per ordinary share is based on the net surplus for the year of £127,044,000 (1999: £106,956,000) and on 100,931,523 ordinary shares (1999: 99,716,263) being the weighted average number of shares in issue during the year.

Fully diluted returns for the year ended 30 June 2000 are equivalent to the basic returns since all the convertible bonds in issue were fully converted into ordinary shares during the year. The diluted returns per ordinary share for the year ended 30 June 1999, have been calculated on the assumption that all convertible bonds in issue throughout the year were converted into 4,998,923 ordinary shares on the first day of the financial year giving a weighted average of 104,715,186 ordinary shares. Interest would not be payable on these bonds following conversion. This would have resulted in revenue returns per ordinary share in both years exceeding the basic return per ordinary share. On conversion of the bonds there would therefore have been no dilution and diluted revenue returns are not shown for the previous year.

Notes to the Accounts continued

9. INVESTMENTS (GROUP)

	Schroder Ventures' Funds Portfolio £'000	Fixed Interest Portfolio £'000	Total Portfolio £'000
Cost brought forward	**192,058**	**83,968**	**276,026**
Unrealised gain brought forward	**34,310**	**99**	**34,409**
Valuation at the beginning of the year	**226,368**	**84,067**	**310,435**
Calls and purchases payable	**162,320**	**731,579**	**893,899**
Distributions and sales receivable	**(187,838)**	**(690,538)**	**(878,376)**
Realised gain/(loss)	**87,909**	**(1,424)**	**86,485**
Unrealised gain	**38,451**	**2,625**	**41,076**
Valuation carried forward	**327,210**	**126,309**	**453,519**

Gains on investments

	For the year ended 30 June 2000 £'000	For the year ended 30 June 1999 £'000
Realised gain on liquidation of subsidiary	**–**	2
Realised gain on investments based on historical cost	**126,810**	57,920
Less: amounts recognised as unrealised in previous year	**(40,325)**	(3,530)
Realised gain based on carrying value at previous balance sheet date	**86,485**	54,392
Net movement in unrealised gains	**41,076**	52,445
Total gains on investments	**127,561**	106,837

10. GEOGRAPHICAL ANALYSIS OF INVESTMENTS

	At 30 June 2000		At 30 June 1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Schroder Ventures Funds – unlisted				
Europe				
United Kingdom	**22,340**	**20,237**	36,178	30,786
France	**5,825**	**5,825**	5,206	5,206
Germany	**15,031**	**8,974**	24,205	18,835
Italy	**25,072**	**25,072**	11,860	11,860
Spain	**2,083**	**2,083**	6,200	6,200
Pan Europe	**151,087**	**151,087**	104,794	104,794
Total Europe	**221,438**	**213,278**	188,443	177,681
Asia				
Asia Pacific	**39,472**	**15,989**	15,544	–
Japan	**14,226**	**9,464**	3,825	751
Total Asia	**53,698**	**25,453**	19,369	751
North America				
Canada	**16,002**	**16,002**	11,900	11,900
United States*	**36,072**	**36,072**	6,656	6,646
Total Americas	**52,074**	**52,074**	18,556	18,546
Total Venture Funds	**327,210**	**290,805**	226,368	196,978

* Schroder Ventures International Life Sciences Funds I and II have been included within the United States.

	Group £'000	Company £'000	Group £'000	Company £'000
Fixed Interest Investments				
Sterling denominated	**32,332**	**32,332**	23,306	23,306
Euro denominated	**60,624**	**60,624**	32,803	32,803
US dollar denominated	**33,353**	**33,353**	27,958	27,958
Total Fixed Interest Investments	**126,309**	**126,309**	84,067	84,067
Total Investment Portfolio	**453,519**	**417,114**	310,435	281,045

Significant interests in Investment Funds

Details of investments in which the Company or Group has an interest of 10% or more of any class of share/units are detailed in the list of investments on pages 19 to 22. All of these funds are managed or advised by Schroder Ventures.

Notes to the Accounts continued

11. INVESTMENTS IN SUBSIDIARIES

	For the year ended 30 June 2000 Company £'000	For the year ended 30 June 1999 Company £'000
Cost at the beginning of the year	**24,012**	24,012
Disposals at cost	**–**	–
Cost at the end of the year	**24,012**	24,012
Net unrealised gain on investment	**15,527**	5,766
Market value at the end of the year	**39,539**	29,778

Platinum Trust is the only subsidiary undertaking at 30 June 2000:

Company and business	Country of registration, incorporation and operation	Number and class of shares/units held	Holding %	Capital and reserves at 30 June 2000 £'000	Net revenue after tax for the year ended 30 June 2000 £'000
Platinum Trust (unit trust)	Guernsey	23,112,000 'A' units	99	40,030	23
		900,000 'B' units	90		

On termination of the Trust, the 'B' units (non-equity) are entitled to a return of the original amount subscribed. The 'A' units (equity) are entitled to the remaining net assets.

12. DEBTORS

	2000 Group £'000	**2000 Company £'000**	1999 Group £'000	1999 Company £'000
Amounts falling due within one year:				
Treasury bill redemptions	**–**	**–**	15,987	15,987
Venture fund distributions receivable	**1,758**	**–**	2	–
Interest receivable	**761**	**760**	129	128
Prepayments and other debtors	**42**	**42**	64	64
Advance corporation tax recoverable	**322**	**322**	322	322
Corporation tax recoverable	**20**	**20**	362	362
	2,903	**1,144**	16,866	16,863

Notes to the Accounts continued

13. CREDITORS

	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
a) Amounts falling due within one year:				
Other creditors and accruals	**547**	**538**	405	393
Proposed final dividend	**3,886**	**3,886**	1,484	1,484
Venture Fund calls payable	**654**	**654**	–	–
Treasury bill purchases	**–**	**–**	25,052	25,052
	5,087	**5,078**	26,941	26,929
b) Amounts falling due after more than one year:				
Convertible bonds 2006:				
– 'B' bonds			10,753	10,753
			10,753	10,753

The 'B' bonds were converted during the year into 3,299,380 ordinary shares of £1.00 each by reference to the Company's net asset value per share as at 30 June 1999.

14. CAPITAL COMMITMENTS

At 30 June 2000, the Company had uncalled commitments to its venture fund investments as follows:

	Amount uncalled (local currency)	SVIIT uncalled commitment* £m
Schroder Ventures European Fund	€33.3m	21.1
Schroder Ventures European Fund II	€662.3m	419.3
Schroder Ventures International Life Sciences Fund II	$53.9m	35.6
Schroder Ventures US Fund	$36.6m	24.2
Schroder Ventures Asia Pacific Fund	$105.1m	69.4
The Japan Venture Fund III	¥1,451m	9.1
Schroder Canadian Buy-Out Fund II	C$1.3m	0.6
Schroder UK Venture Fund IV	£1.4m	1.4
Total		**£580.7m**

*Based on exchange rates at 30 June 2000

15. CONTINGENT LIABILITIES

The Company guarantees any drawings taken out by Platinum Trust under the €140 million loan facility (£88.6m, translated at the balance sheet date). At 30 June 2000, €Nil was drawn under the facility (1999: €Nil).

Notes to the Accounts continued

16. SHARE CAPITAL

	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
Authorised:				
150,000,000 shares of £1.00 each	**150,000**	**150,000**	150,000	150,000
Allotted, Called Up and Fully Paid:				
Opening balance of 98,966,319 (1999:102,170,490) shares of £1.00 each	**98,966**	**98,966**	102,170	102,170
Issued on conversion of 'B' bonds (note 13)	**3,300**	**3,300**	–	–
Purchase of own shares for cancellation	**–**	**–**	(3,204)	(3,204)
Closing balance of 102,265,699 (1999:98,966,319) shares of £1.00 each	**102,266**	**102,266**	98,966	98,966

17. SHARE PREMIUM ACCOUNT

	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
Balance brought forward	**–**	**–**	–	–
Premium on conversion of 'B' bonds	**7,453**	**7,453**	–	–
Balance carried forward	**7,453**	**7,453**	–	–

18. CAPITAL REDEMPTION RESERVE

	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
Balance brought forward	**3,204**	**3,204**	–	–
Purchase of own shares for cancellation	**–**	**–**	3,204	3,204
Balance carried forward	**3,204**	**3,204**	3,204	3,204

19. SHARE PURCHASE RESERVE

	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
Balance brought forward	**92,054**	**92,054**	97,115	97,115
Purchase of own shares for cancellation	**–**	**–**	(4,983)	(4,983)
Stamp duty on share buy-back	**–**	**–**	(25)	(25)
Legal fees on implementing share buy-back scheme	**–**	**–**	(53)	(53)
Balance carried forward	**92,054**	**92,054**	92,054	92,054

On 24 June 1998, the Company obtained approval from the High Court to cancel its share premium account and set up a new reserve, the share purchase reserve, against which the cost of purchasing shares for cancellation by the Company may be debited.

Notes to the Accounts continued

20. CAPITAL RESERVE

	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
Realised gains brought forward	**80,093**	**70,393**	25,534	18,901
Realised gains on venture fund distributions	**87,909**	**84,215**	54,114	51,047
Other realised (losses)/gains	**(3)**	**(3)**	2	2
Realised (losses)/gains on currency balances	**(415)**	**(394)**	167	167
Realised exchange (losses)/gains on sale of fixed interest securities	**(1,424)**	**(1,424)**	276	276
Realised gains carried forward	**166,160**	**152,787**	80,093	70,393
Unrealised gains/(losses) brought forward	**46,865**	**56,082**	(5,532)	170
Increase in unrealised gains on venture funds	**38,452**	**32,288**	51,761	49,981
Increase in unrealised gains on subsidiary undertakings	**–**	**9,762**	–	5,247
Increase in unrealised exchange gains on fixed interest securities	**2,624**	**2,624**	684	684
Minority interest-equity	**(99)**	**–**	(48)	–
Unrealised gains carried forward	**87,842**	**100,756**	46,865	56,082
	254,002	**253,543**	126,958	126,475

21. REVENUE RESERVE

	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
Balance brought forward	**1,303**	**1,786**	443	1,374
Transfer from revenue account	**843**	**819**	860	412
Balance carried forward	**2,146**	**2,605**	1,303	1,786

As stated in note 1(b), the Company has not presented its own revenue account. The net revenue after tax and before dividends dealt with in the accounts of the parent company was £4,705,000 (1999: £1,896,000).

Notes to the Accounts continued

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 Group £'000	**2000 Company £'000**	1999 Group £'000	1999 Company £'000
Net revenue available for distribution	**4,729**	**4,705**	2,344	1,896
Dividends	**(3,886)**	**(3,886)**	(1,484)	(1,484)
	843	**819**	860	412
Non-distributable capital gain for the year	**127,044**	**127,068**	106,956	107,404
Shares issued on conversion of 'B' bonds	**3,300**	**3,300**	–	–
Share premium on conversion of 'B' bonds	**7,453**	**7,453**	–	–
Purchase of own shares for cancellation	**–**	**–**	(4,983)	(4,983)
Stamp duty on share buy-backs	**–**	**–**	(25)	(25)
Legal fees on implementing share buy-back scheme	**–**	**–**	(53)	(53)
Net addition to shareholders' funds	**138,640**	**138,640**	102,755	102,755
Shareholders' funds brought forward	**322,485**	**322,485**	219,730	219,730
Shareholders' funds carried forward	**461,125**	**461,125**	322,485	322,485

23. NET ASSET VALUE PER ORDINARY SHARE

Calculation of the net asset value per share is based on net assets of £461,125,000 (1999: £322,485,000) and on 102,265,699 (1999: 98,966,319) ordinary shares in issue at the year end.

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 Group £'000	1999 Group £'000
Net return before finance costs and taxation	**4,800**	2,735
(Increase)/decrease in accrued income	**(632)**	163
Decrease in debtors	**22**	30
Increase/(decrease) in creditors	**330**	(172)
Net cash inflow from operating activities	**4,520**	2,756

Notes to the Accounts continued

25. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 1999 £'000	Debt Conversion £'000	Cash Flow £'000	At 30 June 2000 £'000	At 1 July 1998 £'000	Cash Flow £'000	At 30 June 1999 £'000
Cash at bank	**42**	**–**	**6**	**48**	35	7	42
Short-term deposits	**33,228**	**–**	**(22,996)**	**10,232**	14,531	18,697	33,228
	33,270	**–**	**(22,990)**	**10,280**	14,566	18,704	33,270
Debt due:							
Within one year	**–**	**–**	**–**	**–**	–	–	–
After more than one year	**(10,753)**	**10,753**	**–**	**–**	(10,753)	–	(10,753)
Net funds	**22,517**	**10,753**	**(22,990)**	**10,280**	3,813	18,704	22,517

26. RELATED PARTY TRANSACTIONS

The Company has appointed Schroder Investment Management Limited ("SIM"), a wholly owned subsidiary of Schroders plc, to provide company secretarial and administrative services. Under the terms of this agreement, SIM is entitled to receive an annual fee equal to the greater of £75,000 and the aggregate of (i) 0.12 per cent per annum of the first £50 million of net assets, (ii) 0.06 per cent per annum of the next £50 million of such net assets and (iii) 0.04 per cent of the remaining net assets. The agreement is subject to a 4 month notice period. The total fees, including VAT, paid or payable to SIM for these services in respect of the year to 30 June 2000 was £257,000 (1999: £201,000), of which £139,000 was outstanding at the year end.

One of the Company's bankers is J. Henry Schroder & Co. Limited ("JHS"). The total interest received from JHS in the year to 30 June 2000 was £325,000 (1999: £107,000), and the cash balance held with JHS at 30 June 2000 was £8,362,000 (1999: £32,446,000).

With effect from 1 January 1998, JHS became entitled to a fee in consideration for its management of the Company's fixed interest portfolio. Under the terms of an agreement, JHS became entitled to receive a fee based on the average value of SVIIT's month-end cash and fixed interest portfolio, calculated at the rate of 0.1 per cent per annum on the first £75 million of assets and 0.05 per cent per annum on the excess, subject to a minimum fee of £20,000 per annum. With effect from 6 March 2000, the fee was amended so that JHS became entitled to a fee at the rate of 0.10 per cent per annum on the first £75 million of assets, 0.05 per cent on the next £75 million and 0.03 per cent thereafter, subject to a minimum fee of £20,000 per annum. With effect 18 April 2000 the management of the Company's fixed interest portfolio was delegated to Schroder Investment Management (UK) Limited in place of JHS by SIM on the same fee basis. The total fees, including VAT, paid or payable for these services in respect of the year to 30 June 2000 was £121,000 (1999: £84,000), of which £30,000 was outstanding at the year end.

SIM has also provided investment trust dealing services. The total fees paid or payable in the year to 30 June 2000 was £2,000 (1999: £2,000), of which £2,000 was outstanding at 30 June 2000.

Mr McLachlan and Mr Ferguson are members of the Advisory Committees of certain of the Schroder Ventures' funds in which the Company invests.

Mr Ferguson and members of his family have an interest in the Carried Interest in respect of certain Schroder Ventures' funds.

Notes to the Accounts continued

27. RISK

The following disclosures relating to the risks faced by the company are provided in accordance with Financial Reporting Standard 13, “Derivatives and other financial instruments disclosures”.

Financial instruments and risk profile

The Company’s principal investment objective is to achieve capital appreciation by investing primarily in an international portfolio of Schroder Ventures’ buy-out and development capital funds, which are managed and advised by Schroder Ventures. In addition, the Company holds treasury bills, cash and short-term deposits and various items such as debtors and creditors that arise directly from its operations. The financial instruments held by the Company are generally liquid.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involves certain inherent risks. Events may occur that would result in either a reduction in the Company’s net assets or a reduction of revenue profits available for dividend.

As an investment trust the Company invests in securities for the long term. The Company has not taken out any derivatives contracts to date.

Currency risk

The Company is exposed to currency risk directly since the majority of its assets and liabilities are denominated in foreign currency and their sterling value can be significantly affected by movements in foreign exchange rates. The Company does not normally hedge against foreign currency movements affecting the value of its investments, but takes account of this risk when making investment decisions.

Interest rate risk

The Company’s revenue will be affected by changes in prevailing interest rates since the majority of its income derives from treasury bills and bank deposit interest. The effect of interest rate changes on the valuation of investments forms part of valuation risk, which is considered separately below.

Financial assets of the Group

	Floating Rate £’000	Fixed Rate £’000	Non-interest Bearing £’000	Total £’000
Currency denomination of assets at 30 June 2000:				
Sterling	2,406	32,332	22,340	57,078
Euro	7,763	60,624	199,098	267,485
US dollar	48	33,353	91,546	124,947
Japanese Yen	–	–	14,226	14,226
Other	15	–	–	15
	10,232	126,309	327,210	463,751

	Floating Rate £’000	Fixed Rate £’000	Non-interest Bearing £’000	Total £’000
Currency denomination of assets at 30 June 1999:				
Sterling	948	23,360	36,178	60,486
Euro	13,658	23,683	152,265	189,606
US dollar	233	27,959	22,200	50,392
Swiss franc	18,383	–	–	18,383
Other	6	–	15,725	15,731
	33,228	75,002	226,368	334,598

Notes to the Accounts continued

27. RISK continued

The floating rate assets consist of short-term deposits. The non-interest bearing assets represent the venture fund portfolio. The fixed rate assets comprise treasury bills, net of outstanding redemptions but excluding other short term debtors and creditors, and can be further analysed as follows:

Fixed rate financial assets

	30 June 2000		30 June 1999	
	Weighted average Interest rate	Weighted average period on which rate is based	Weighted average Interest rate	Weighted average period on which rate is based
Euro	**3.46%**	**93 days**	2.46%	48 days
US dollars	**6.71%**	**58 days**	4.38%	57 days
Sterling	**5.73%**	**73 days**	4.80%	79 days

The Company does not have any borrowings at the year end, although it does have in place a loan facility of €140 million with The Royal Bank of Scotland plc.

The main risk arising from the Company's financial instruments is valuation risk. The Board reviews and agrees policy for managing this risk as summarised below. This policy has remained substantially unchanged since the launch of the Company.

Valuation risk

The Company's exposure to valuation risk comprises mainly movements in the value of its underlying investments. A breakdown of the venture fund portfolio is given on pages 19 to 22 and a detailed analysis of the twenty largest underlying companies is given on pages 14 to 18. In accordance with the Company's accounting policies, set out on pages 33 to 35, all underlying investments are valued by the Directors in accordance with the current guidelines issued by the British Venture Capital Association ("BVCA"), adopting the overriding BVCA principle that the value should be a fair one. The Company does not hedge against movements in the value of these investments. Uncertainty arises as a result of future changes in the valuation of the Company's underlying investments, the majority of which are unquoted, and the effect changes in exchange rates may have in the sterling value of these investments. Development Stage Equity Investments and Early Stage Equity Investments, by their nature, involve uncertainty as to the ultimate value likely to be realised on the disposal of those investments, particularly as their unquoted nature means that a ready market may not exist for them.

The Company's sensitivity to valuation risk will be affected by changes in levels of borrowing and liquidity, as approved by the Board. At 30 June 2000, a 10% movement in the valuation of the Group's venture fund portfolio would result in a 7% change in net asset value per share.

The directors believe that the diversified nature of the Company's portfolio and the number of underlying investments in the Schroder Ventures' funds significantly reduces the risks normally associated with making investments in the buy-out and development capital markets.

Holdings risk

In certain circumstances, SVIIT may wish to transfer its holdings in Schroder Ventures' funds. In a majority of the Schroder Ventures' funds in which SVIIT will invest, the general partner, trustee or manager has the ultimate right, similar to that exercisable by a board of a private company, to refuse to register the transfer of an interest. While SVIIT has no reason to believe that any request for the transfer of an interest would be refused, it is of course conceivable that the general partner's, trustee's or manager's overriding fiduciary duty could result in its refusing to register a particular transfer proposed by the Company.

If as a consequence of a failure to pay a call, the Company is treated as a defaulting investor under the relevant Schroder Ventures Fund, it will suffer a resultant dilution in interest and possibly the compulsory sale of its interest.

Consolidated Statement of Total Return – in Euros

(translated into euros – unaudited)

	For the year ended 30 June 2000 Revenue €'000	Capital €'000	Total €'000	For the year ended 30 June 1999 Revenue €'000	Capital €'000	Total €'000
Realised gains on investments	**–**	**137,934**	**137,934**	–	80,819	80,819
Unrealised gains on investments	**–**	**65,512**	**65,512**	–	77,927	77,927
Gains on investments	**–**	**203,446**	**203,446**	–	158,746	158,746
Foreign exchange (losses)/gains	**–**	**(662)**	**(662)**	–	248	248
Income from fixed interest securities	**8,349**	**–**	**8,349**	4,447	–	4,447
Income from distributions	**727**	**–**	**727**	–	–	–
Interest receivable and similar income	**689**	**–**	**689**	921	–	921
Expenses	**(2,110)**	**(5)**	**(2,115)**	(1,305)	–	(1,305)
Net return before finance costs and taxation	**7,655**	**202,779**	**210,434**	4,063	158,994	163,057
Interest payable	**(400)**	**–**	**(400)**	(1,140)	–	(1,140)
Net return on ordinary activities before taxation	**7,255**	**202,779**	**210,034**	2,923	158,994	161,917
Tax on ordinary activities	**287**	**–**	**287**	565	–	565
Return on ordinary activities after tax for the year	**7,542**	**202,779**	**210,321**	3,488	158,994	162,482
Minority interest – equity	**–**	**(158)**	**(158)**	(7)	(71)	(78)
Return on ordinary activities after tax and minority interest for the year attributable to equity shareholders	**7,542**	**202,621**	**210,163**	3,481	158,923	162,404
Dividends						
Final dividend per ordinary share payable 7 December 2000	**(6,137)**	**–**	**(6,137)**	(2,268)	–	(2,268)
	1,405	**202,621**	**204,026**	1,213	158,923	160,136
Exchange (loss)/gain on translation	**(8)**	**4,469**	**4,461**	102	4,559	4,661
Surplus transferred to reserves	**1,397**	**207,090**	**208,487**	1,315	163,482	164,797
Return per ordinary share	**€0.07**	**€2.01**	**€2.08**	€0.03	€1.59	€1.62

The information on pages 47 to 49 is for illustrative purposes and does not form part of the audited financial statements. The returns for the year have been translated into euros at an average rate of £1: €1.5949 (1999: £1: €1.4859). The proposed dividend has been translated into euros at a rate of £1: €1.5793 (1999: £1: €1,5285), being the closing rate at the balance sheet date.

Balance Sheets – in Euros

(translated into euros – unaudited)

	At 30 June 2000 Group €'000	At 30 June 2000 Company €'000	At 30 June 1999 Group €'000	At 30 June 1999 Company €'000
INVESTMENTS				
Venture funds	**516,763**	**459,268**	346,003	301,081
Fixed interest investments	**199,480**	**199,480**	128,496	128,496
Investment in subsidiaries	**–**	**62,444**	–	45,516
	716,243	**721,192**	474,499	475,093
CURRENT ASSETS				
Debtors	**4,585**	**1,807**	25,780	25,775
Cash at bank and short-term deposits	**16,235**	**13,275**	50,853	49,647
	20,820	**15,082**	76,633	75,422
CURRENT LIABILITIES				
Creditors: amounts falling due within one year	**8,034**	**8,019**	41,179	41,161
NET CURRENT ASSETS	**12,786**	**7,063**	35,454	34,261
TOTAL ASSETS LESS CURRENT LIABILITIES	**729,029**	**728,255**	509,953	509,354
Creditors: amounts falling due after more than one year (including convertible bonds)	**–**	**–**	(16,436)	(16,436)
Minority interest – non-equity	**(158)**	**–**	(153)	–
Minority interest – equity	**(616)**	**–**	(446)	–
NET ASSETS	**728,255**	**728,255**	492,918	492,918
CAPITAL AND RESERVES				
Called up share capital	**161,509**	**161,509**	151,270	151,270
Share premium account	**11,771**	**11,771**	–	–
Share purchase reserve	**145,381**	**145,381**	140,704	140,704
Capital redemption reserve	**5,060**	**5,060**	4,897	4,897
Capital reserve	**401,145**	**400,420**	194,055	193,317
Revenue reserve	**3,389**	**4,114**	1,992	2,730
EQUITY SHAREHOLDERS' FUNDS	**728,255**	**728,255**	492,918	492,918
Net asset value per ordinary share	**€7.12**		€4.98	

The information on pages 47 to 49 is for illustrative purposes and does not form part of the audited financial statements. The consolidated balance sheet has been translated into euros at a rate of £1: €1.5793 (1999: £1: €1.5285), being the closing exchange rate on the balance sheet date.

Consolidated Cash Flow Statement – in Euros

(translated into euros – unaudited)

	For the year ended 30 June 2000 €'000	For the year ended 30 June 1999 €'000
OPERATING ACTIVITIES		
Income received from investments	**8,177**	4,639
Bank interest received	**581**	972
Administrative expenses	**(1,549)**	(1,516)
Net cash inflow from operating activities	**7,209**	4,095
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	**(100)**	(19)
Convertible bond interest paid	**(600)**	(1,119)
Net cash outflow from returns on investments and servicing of finance	**(700)**	(1,138)
TAXATION		
UK tax recovered/(paid)	**831**	(478)
Total tax recovered/(paid)	**831**	(478)
FINANCIAL INVESTMENT		
Purchase of fixed interest securities	**(1,206,751)**	(733,789)
Sale of fixed interest securities	**1,126,837**	721,921
Calls paid	**(257,841)**	(73,879)
Capital distributions received	**296,782**	120,252
Net cash (outflow)/inflow from financial investment	**(40,973)**	34,505
EQUITY DIVIDENDS PAID		
Dividends	**(2,367)**	(1,912)
Total dividends paid	**(2,367)**	(1,912)
FINANCING		
Realised exchange (losses)/gains on currency balances	**(662)**	248
Shares purchased for cancellation	**–**	(7,404)
Capital expenses	**(5)**	(86)
Stamp duty	**–**	(37)
Net cash outflow from financing	**(667)**	(7,279)
NET CASH (OUTFLOW)/INFLOW	**(36,667)**	27,793

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	For the year ended 30 June 2000 €'000	For the year ended 30 June 1999 €'000
(Decrease)/increase in cash during the year	**(36,667)**	27,793
Exchange movement on translation	**2,049**	2,421
Debt converted into equity	**15,236**	–
Change in net funds	**(19,382)**	30,214
Net funds at the beginning of the year	**35,617**	5,403
Net funds at the end of the year	**16,235**	35,617

The information on pages 47 to 49 is for illustrative purposes and does not form part of the audited financial statements. The cash flows for the year have been translated at an average rate of £1: €1.5949 (1999: €1.4859).

Company Summary

THE COMPANY

Schroder Ventures International Investment Trust plc carries on business as an investment trust and it is listed on the London Stock Exchange. The Company's principal investment objective is to achieve capital appreciation by investing primarily in an international portfolio of buy-out and development capital funds, which are managed and advised by Schroder Ventures. The use of a benchmark is regularly reviewed by the Board. As a result of the particular geographical and sectoral diversification of the Company's venture fund portfolio and the nature of the investments made by the Venture Funds, there is currently no independent benchmark which the Directors consider appropriate for the Company.

Investment trust companies are able to switch investments without liability for capital gains tax. This, together with the advantages of professional management and spread of risk, makes investment trusts a valuable investment medium.

In order to obtain exemption from capital gains tax the Company conducts itself with a view to being an approved investment trust for the purposes of Section 842 of the United Kingdom Income and Corporation Taxes Act 1988 (as amended). The Company is not a close company for taxation purposes.

INFORMATION FOR SHAREHOLDERS

The Company's shares are listed on the London Stock Exchange. The stock exchange code for the shares is SVI. The price of the shares is quoted daily in the Financial Times, The Daily Telegraph and The Times.

Real time share information for the Shares is available on the FT Cityline by dialing: 0906 843 1432. Calls are charged at 60p per minute at all times.

The net asset value is calculated at 31 December and 30 June each year following an extensive valuation procedure. Due to the nature of the Company's investments, it is not practicable to publish the net asset value on a more frequent basis.

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

WEB SITE

The Company has launched a dedicated Web Site for the Company, which may be found at www.sviit.co.uk. The site contains details of all press releases published by the Company, share price information, copies of the Annual Report and Interim Report, and a Newssheet which incorporates information on recent transactions, a comprehensive analysis of the Company's Portfolio, detailed market commentary and Schroder Ventures' strategy. The Newssheet is distributed to the shareholders of the Company. The site also contains links to Schroder Ventures and Schroders sites.

CAPITAL GAINS TAX INFORMATION

For the 2000/2001 tax year, the annual capital gains of private individuals in excess of £7,200 (1999/2000: £7,100) are assessed for capital gains tax at 20 per cent. where such gains, when added to the individual's total income, are below the basic rate limit of £28,400 (1999/2000: £28,000) and 40 per cent. where they exceed that limit.

Capital gains on shares disposed of by individuals may be eligible for taper relief. The taper reduces the amount of a chargeable gain according to how long the asset has been held for periods after 5 April 1998.

Where shares were acquired before 6 April 1998, the capital gain will also be reduced by indexation allowance for the period up to April 1998, but not thereafter.

For the benefit of those shareholders who acquired their holdings in exchange for their interests in Schroder Ventures' funds, the acquisition cost of the shares for capital gains tax purposes based upon initial dealings on 23 May 1996 was as follows:

Each ordinary share of £1 each: 191.50p.

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.

The aims of the Association are to protect and promote the interests of member companies and their shareholders by:

Company Summary continued

- taking specific action to safeguard and to improve the fiscal and regulatory regime for member companies and their shareholders
- improving investor awareness of investment trusts through education, publicity and the provision of reliable statistical and other information
- encouraging commitment to good practice and high professional standards in the industry.

In 1999, the AITC initiated a campaign aimed at promoting investment trusts to the general public. The campaign includes advertising, seminars for private investors and independent financial advisers, a website and other activities.

The Company contributed towards the cost of the campaign in its first year and has also agreed to contribute towards the cost of the campaign in its second year.

SCHRODER INVESTMENT TRUST DEALING SERVICE

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

- a regular investment option from a minimum of £50 per month
- a lump sum investment option from a minimum of £1,000
- daily dealing
- competitive charges
- the option to reinvest income.

Other Schroder investment trusts which are available through this service are Schroder Asia Pacific Fund plc, Schroder Emerging Countries Fund plc, Schroder Income Growth Fund plc, Schroder Japan Growth Fund plc, Schroder Split Fund plc and Schroder UK Growth Fund plc.

It has recently been agreed that, in order to make this service more attractive as a means of investing in the ordinary shares of the Company, the charges applied to the service have been revised. There is now no initial charge for investment in the service, although the stamp duty charge of 0.5% remains. In addition, there is no charge for switching between investment trusts in the service.

If you would like further information about the Schroder Investment Trust Dealing Service please contact the Secretary of the Company at 31 Gresham Street, London, EC2V 7QA or call Schroder Investor Services on freephone 0800 718 777.

INDIVIDUAL SAVINGS ACCOUNT STATUS

The Individual Savings Account (ISA) is a new type of tax-free savings vehicle that has replaced PEPs and TESSAs from 6 April 1999. The government has pledged that the ISA regime will operate for at least ten years and that there will be no lifetime savings limit. This means that investors will not be prevented from investing in ISAs, no matter what holdings they previously had in PEPs and TESSAs. Anyone aged 18 or over, who is resident in the UK for tax purposes, can invest up to £7,000 in an ISA during the 2000/2001 tax year.

Schroders are providing a non CAT standard investment trust ISA, which includes Schroder Ventures International Investment Trust plc. The investment trust ISA is designated as a maxi account and made up entirely of a stocks and shares component; a cash or insurance component is not offered. Further details may be obtained from the Company Secretary at 31 Gresham Street, London, EC2V 7QA or from Schroder Investor Services on 0800 718 777.

REGISTRAR SERVICES

Communications with shareholders are mailed to the address held on the share register. Any notifications and enquiries relating to registered share holdings, including a change of address or other amendment should be directed to Lloyds TSB Registrars Scotland at 117 Dundas Street, Edinburgh, Scotland EH3 5ED. The helpline telephone number of Lloyds TSB Registrars is 0870 601 5366.

Lloyds TSB Registrars Scotland have recently launched a new web-based enquiry service for shareholders. Initially the "Shareview" site (address below) contains information available on public registers. Shareholders will be invited to enter their name, shareholder reference (account number) and post code and will be able to view information on their own holding.

Visit www.shareview.co.uk for more details.

Information for Shareholders

FINANCIAL CALENDAR

30 June	Company's year end
September	Preliminary results for the financial year published
September	Annual Report published
December	Annual General Meeting
March	Interim Results announced
April	Interim Report published

ANALYSIS OF REGISTER OF SHAREHOLDERS

	Shares %
At 30 June 2000	
% of issued shares held by:	
Private individuals	1.60
Banks and Nominee Companies*	49.09
Pension Funds and Insurance Companies	44.59
Other Institutions	4.72
	100.00
Total number of holders	877

*Some of the nominee company holdings include a large number of private individuals.

Notice and Agenda

NOTICE is hereby given that the fifth Annual General Meeting of Schroder Ventures International Investment Trust plc will be held at 12.00 noon on Tuesday 5 December 2000 at 31 Gresham Street, London, EC2V 7QA, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 9 will be proposed as Ordinary Resolutions and resolutions 10, 11 and 12 will be proposed as Special Resolutions:

1. That the Report of the Directors and the Accounts for the year ended 30 June 2000 be adopted.
2. To declare a final dividend of 3.80p per share for the year ended 30 June 2000.
3. That Mr John Govett be re-elected as a Director of the Company.
4. That Mr Anthony Habgood be re-elected as a Director of the Company.
5. That Mr Edgar Koning be re-elected as a Director of the Company.
6. That Ernst & Young be re-appointed as Auditors of the Company.
7. That the Board be authorised to agree the Auditor's remuneration.
8. That the aggregate limit of all fees payable to directors, as set out in Article 1(F) of the Company's Articles of Association, be increased to £200,000.
9. That the Directors be and they are hereby generally and unconditionally authorised in substitution for all subsisting authorities in accordance with Section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to a maximum aggregate nominal value of £5,113,284 (equivalent to 5,113,284 ordinary shares of £1 and 5 per cent. of the aggregate nominal amount of the share capital in issue on 31 August 2000) provided that this authority shall expire on the date of the next Annual General Meeting of the Company, but so that this authority shall allow the Company to make offers or agreements before such expiry which would or might require relevant securities to be allotted after such expiry.
10. That, subject to the passing of resolution 9 set out above, the Directors be and they are hereby empowered, pursuant to section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority given in accordance with Section 80 of the Act by the said resolution 9 as if Section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £5,113,284 (representing 5 per cent. of the aggregate nominal amount of the share capital in issue on 31 August 2000); and provided that this power shall expire on the date of the next Annual General Meeting of the Company, but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry.
11. That the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of Ordinary shares of £1.00 each in the capital of the Company ("Shares"), provided that:
    (a) the maximum number of Shares hereby authorised to be purchased shall be 15,329,628;
    (b) the minimum price which may be paid for a Share is £1.00;
    (c) the maximum price which may be paid for a Share is an amount equal to 105 per cent. of the average of the middle market quotations for a Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Share is purchased;
    (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
    (e) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract.
12. That the proposed new form of Articles of Association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for and to the exclusion of the Company's existing Articles of Association.

Registered Office:
31 Gresham Street
London EC2V 7QA

By Order of the Board
Schroder Investment Management Limited
Secretary

14 September 2000

Notice and Agenda continued

NOTES

1. A member of the Company entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and on a poll to vote in his or her 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 member 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 Companies Act 1985, a statement of all transactions of each Director and of his family interests in the shares of the Company will be available for inspection by any member of the Company at the registered office of the Company, 31 Gresham Street, London EC2V 7QA, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and by any person attending the Annual General Meeting, during the continuance of the Meeting. None of the Directors have a contract of service with the Company.

Amendments to the Articles of Association

The notice convening an Annual General Meeting, to take place on 5th December, 2000, is set out on page 53. The meeting will consider various amendments to the Articles of Association which require, if they are to be implemented, the approval of a Special Resolution of the Shareholders, that is a resolution approved by 75 per cent. of the votes cast.

The principal proposed amendments to the Company's Articles of Association are explained below. A number of other changes are also proposed which reflect minor amendments to the Listing Rules of the UK Listing Authority. The number identifying each Article in this summary corresponds to the numbering used in the amended Articles of Association, which will be available for inspection before and during the Annual General Meeting.

LAYOUT

The new Articles will continue to be split into two parts with Part I containing provisions particular to the Company, and Part II containing definitions and then a series of topics, with related matters being grouped together.

ARTICLES 1(D), 3, 13, 14, 34, 35, 37, 38, 39, 40, 43, 46, 117, 118, 121, 125, 129, 133, 135 - UNCERTIFICATED SHARES/CREST

It is proposed to amend the Articles to provide expressly for the Company's shares to be held and transferred in the CREST system and for the Company to take advantage of the facilities of the CREST system as well as the facilities which it is anticipated that the CREST system may have in the future such as, for example, facilities to enable dividends to be paid or notices to be sent to shareholders by means of the CREST system. These changes include some new points that are not included in the current Articles. Shareholders will still be able to choose whether their shares are to be evidenced by share certificates or held in electronic form in the CREST system and accordingly the new Articles take account of shares being held in either form.

ARTICLE 3 - DEFINITIONS

The definition of London Stock Exchange has been amended to reflect its change from a private to a public company. Several new definitions have been incorporated to provide for the holding and transfer of shares through CREST.

ARTICLE 13 - UNCERTIFICATED SHARES

With this new Article, the Board may permit the holding of shares in a class in uncertificated form and the transfer of any such shares by means of CREST. It also allows for shares to be changed from uncertificated to certificated form and vice versa, with an obligation on the Board to record the relevant form on the register of members.

ARTICLE 14 - RIGHT TO SHARE CERTIFICATES

This Article has been limited so as to apply only to certificated shares and to reflect the fact that the listing rules no longer prescribe limits over and above those prescribed by the Companies Acts regarding the timing of the issue of certificates.

ARTICLE 34 - FORM OF TRANSFER

This Article has been updated and expanded to provide for the transfer of uncertificated shares through CREST.

ARTICLE 40 - UNTRACED SHAREHOLDERS

Since January 2000, the contents of this Article are no longer regulated by the London Stock Exchange and the Article has been amended to reflect this change.

Glossary

INVESTMENT STAGES:

Early Stage

- **Seed**
  Financing provided to allow a business concept to be developed, perhaps involving production of prototypes and additional research, prior to bringing a product to market.
- **Start-up**
  Financing provided to companies for the use in product development and initial marketing. Companies may be in the process of being set up or may have been in business for a short time, but have not sold their product commercially.
- **Other early stage**
  Financing provided to companies that have completed the product development stage and require further funds to initiate commercial manufacturing and sales. They will not yet be generating profit.

Late Stage

- **Expansion Financing**
  Capital provided for the growth and expansion of a company which is breaking even or even trading profitably. Funds may be used to finance increased production capacity, market or product development and/or provide additional working capital. Capital provided for turn-around situations is also included in this category.
- **Management buy-out (MBO)**
  Funds provided to enable current operating management and investors to acquire an existing business.
- **Management buy-in (MBI)**
  Funds provided to enable a manager or group of managers from outside the company to buy into the company.

Follow-on investment
A company which has previously received venture capital.

Secondary purchase
Purchase of existing shares in a company from another venture capital firm, or from other shareholders.

Public to Private
Purchase of the share capital of a company quoted on a stock exchange with the intention of de-listing the company and taking it private.

General Terms

Carried interest (“carry”): Carried interest or simply “carry” represents the share of a private equity fund’s profit (usually 20%) that will accrue to the general partners.

Committed funds (or “raised funds” or “committed capital”): Capital committed by investors. This will be requested or “drawn down” by private equity managers on a deal-by-deal basis. This amount is different from invested funds for two reasons. Firstly, most partnerships will invest only between 80% and 95% of committed funds. Second, one has to deduct the annual management fee which is supposed to cover the cost of operation of a fund.

Distributions: Payments to investors after the realisation of investments of the partnership.

Divestments (or realisations or exits): Exits of investments, usually via a trade sale or an IPO (Initial Public Offering) on a stock market.

Draw downs: Payments to the partnership by investors in order to finance investments. Funds are drawn down from investors on a deal-by-deal basis.

Fund of funds: Private equity funds whose principal activity consists of investing in other private equity funds. Investors in funds of funds can thereby increase their level of diversification.

Gearing, debt/equity ratio or leverage
The level of a company’s borrowings as a percentage of shareholder funds.

Hurdle rate: Arrangement that caps the downside risk for investors. It allows investors to get preferential access to the profits of the partnership. In the absence of reaching the hurdle return, general partners will not receive a share of the profit (carried interest). A hurdle rate of 10% means that the private equity fund needs to achieve a return of at least 10% before the profits are shared according to the carried interest arrangement.

Limited partnership: Most private equity firms structure their funds as limited partnerships. Investors represent the limited partners and private equity managers the general partners.

Realisation: the sale of an investment.

Secondary market: The secondary market enables institutional investors to sell their stakes in a private equity partnership before it is wound up.

Trade sale: Sale of the equity share of an investee company to another company.

Turnaround: A loss making company which can be successfully transformed into a profit maker.

www.sviit.co.uk

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