To: Stock Exchange

For immediate release:
19 March 2003

Over the six-month period the company's total assets have declined by 8.5%, compared with the 12.9% fall in the FTSE All-Share index. This relative outperformance is attributable both to good UK equity stock selection and to the company's holdings of fixed interest securities. The FTSE Government All-Stocks index rose by 4.5% over the period.

Earnings per share for the six months to 28 February were 2.29p. This compares to earnings of 2.08p for the same period last year. The Board has declared a second interim dividend of 1.40p on the income shares, to be paid on 30 April 2003. Together, the first and second interim dividends make a total for the half-year of 2.80p. This is unchanged from the same period last year.

Dividend payments from UK equities are under pressure, not least from the impact of the weakening dollar on companies that are exposed to that currency. But the company has a revenue reserve of 3.12p per share, equivalent to over 50% of last year's total dividend. So in the absence of unforeseen circumstances, the Board is confident that it will be able to recommend a full-year payment of not less than 6.00p per income share.

Due to the impact of gearing and given the company's split capital structure, the net asset value (NAV) performance of the individual share classes has been significantly worse than that of total assets. Similarly, the share prices of each class, other than the zero dividend preference share, have declined sharply and, at 44.1%, the discount of a combined package price to NAV remains high. Although the company has neither bank debt nor any investment in split capital investment companies, the Board believes that the wide discount might be attributable partly to the general uncertainty regarding the financial health and probity of the 'split' sector.

However, of more specific influence is the company's involvement in the Lloyd's insurance market, through its relationship with Wellington Underwriting plc (Wellington). Here, recent news has been encouraging. On 12 February, Wellington published the unaudited results for its managed syndicate 2020 for year of account 2000 and forecasts for the 2001 and 2002 years of account. The company is exposed to this through its loan arrangement with subsidiaries of Premium Underwriting. Shareholders will recall that, under the terms of the loan arrangements and following the events of 11 September 2001, the company has a potential liability of approximately £29 million in respect of these events. This liability could be mitigated by any profits that the Premium Underwriting subsidiaries might make up to and including the 2003 year of account. So while Wellington continues to provide for losses at the same level as previously in respect of the attack on the World Trade Center, syndicate 2020's overall 2001 year of account forecast has improved significantly, from a loss in the range of 20-30%to a loss of 16-23%. The early forecast for year of account 2002 is in the range of 7.5-15% profit. Both years reflect strong premium growth and a generally benign loss experience.

Although these remain forecasts – the final outcome of year of account 2001 will not be known until spring 2004 – they increase the Board's confidence in its understanding that Wellington expects to be able to settle, from its own resources, all losses of Premium Underwriting's subsidiaries arising from the events of 11 September 2001. Equally, should the company incur any losses in this respect, the forecast for 2002 – and the fact that 2003 is off to a good start – increases the possibility of any such losses being reimbursed from future profits.

That said, the company continues to support Premium Underwriting through year of account 2003 and, as such, is exposed to potential losses, as well as any profits, incurred in this activity. Although the significance to the company of year of account 2001 will be known in just over 12 months, the Lloyd's relationship will remain relevant until year of account 2003 closes, anticipated to be in spring 2006.

For further information, please contact:

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Statement of total return (incorporating the revenue account)
for the six months ended 28 February

		2003 (unaudited)		
		Revenue £'000	**Capital £'000**	**Total £'000**
Losses on investments	- realised	**0**	**(789)**	**(789)**
	- unrealised	**0**	**(2,064)**	**(2,064)**
Income	- franked	**430**	**0**	**430**
	- unfranked	**173**	**0**	**173**
Investment management fee		**(48)**	**(72)**	**(120)**
Other expenses		**(87)**	**0**	**(87)**
Return on ordinary activities after finance costs but before taxation		**468**	**(2,925)**	**(2,457)**
Taxation on ordinary activities		**(16)**	**16**	**0**
Return on ordinary activities after taxation		**452**	**(2,909)**	**(2,457)**
Appropriation in respect of income and ZDP shares		**0**	**(585)**	**(585)**
Return attributable to equity shareholders		**452**	**(3,494)**	**(3,042)**
Dividends in respect of non-equity shares 2003 = 2.80p per income share		**(554)**	**0**	**(554)**
Transfer from reserves		**(102)**	**(3,494)**	**(3,596)**
Return per unit		**2.29p**	**(17.64p)**	**(15.35p)**

Net asset value per unit *	**98.93p**
Net asset value per income share*	**23.22p**
Net asset value per capital share	**0.00p**
Net asset value per zero dividend preference share	**75.71p**

*Excludes undistributed revenue of 3.12p.

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

The directors have declared a second interim dividend on the income shares of the company for the year ending 31 August 2003 of 1.40p per share, with an ex dividend date of 26 March 2003, to be paid on 30 April 2003 to shareholders on the register on 28 March 2003. This, combined with the first interim of 1.40p, gives a total of 2.80p for the 6 months to 28 February 2003, (2002: 2.80p).
The interim results will be circulated to shareholders in the form of an interim report, copies of which will be available at the company's registered office, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2ES.

Statement of total return (incorporating the revenue account)
for the six months ended 28 February

		2002 (unaudited)		
		Revenue £'000	**Capital £'000**	**Total £'000**
Losses on investments	- realised	0	(310)	(310)
	- unrealised	0	(507)	(507)
Income	- franked	424	0	424
	- unfranked	162	0	162
Investment management fee		(60)	(91)	(151)
Other expenses		(100)	0	(100)
Return on ordinary activities after finance costs but before taxation		426	(908)	(482)
Taxation on ordinary activities		(14)	14	0
Return on ordinary activities after taxation		412	(894)	(482)
Appropriation in respect of income and ZDP shares		0	(533)	(533)
Return attributable to equity shareholders		412	(1,427)	(1,015)
Dividends in respect of non-equity shares 2002 = 2.80p per income share		(554)	0	(554)
Transfer from reserves		(142)	(1,427)	(1,569)
Return per unit		2.08p	(7.21p)	(5.13p)

Net asset value per unit *	135.75p
Net asset value per income share*	49.47p
Net asset value per capital share	16.75p
Net asset value per zero dividend preference share	69.53p

*Excludes undistributed revenue of 3.17p.

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

Statement of total return (incorporating the revenue account)
for the year ended 31 August

		2002 (audited)		
		Revenue £'000	**Capital £'000**	**Total £'000**
Losses on investments	- realised	0	(513)	(513)
	- unrealised	0	(4,614)	(4,614)
Income	- franked	1,119	0	1,119
	- unfranked	374	0	374
Investment management fee		(122)	(183)	(305)
Other expenses		(184)	0	(184)
Return on ordinary activities after finance costs but before taxation		1,187	(5,310)	(4,123)
Taxation on ordinary activities		(49)	35	(14)
Return on ordinary activities after taxation		1,138	(5,275)	(4,137)
Appropriation in respect of income and ZDP shares		0	(1,101)	(1,101)
Return attributable to equity shareholders		1,138	(6,376)	(5,238)
Dividends in respect of equity shares 2002: 6.00p per income share		(1,188)	0	(1,188)
Transfer from reserves		(50)	(6,376)	(6,426)
Return per unit		5.74p	(26.64p)	(20.90p)

Net asset value per unit *	113.62p
Net asset value per income share*	41.04p
Net asset value per capital share	0.00p
Net asset value per zero dividend preference share	72.58p

*Excludes undistributed revenue of 3.63p.

The revenue column of this statement is the profit and loss account of the company.
All revenue and capital items in the above statement derive from continuing obligations.

No operations were acquired or discontinued in the period.

Balance sheet

	As at 28 February 2003 (unaudited)		As at 28 February 2002 (unaudited)		As at 31 August 2002 (audited)	
	£000	**£000**	£000	£000	£000	£000
Investments at market value						
Listed on the Stock Exchange in the UK		**31,131**		37,785		33,970
Current assets						
Debtors	**224**		267		318	
Cash in bank	**1,429**		2,052		1,600	
	1,653		2,319		1,918	
Creditors						
Amounts falling due within one year	**(378)**		(398)		(471)	
Net current assets		**1,275**		1,921		1,447
Total assets less current liabilities		**32,406**		39,706		35,417
Creditors						
Amounts falling due after one year						
Interest-free loan		**(12,200)**		(12,200)		(12,200)
Total assets attributable to share capital		**20,206**		27,506		23,217
Capital and reserves						
Called up ordinary capital		**1,980**		1,980		1,980
Share premium		**16,976**		16,976		16,976
Redemption reserve - income shares		**9,326**		9,398		9,362
- zero dividend - preference shares		**14,397**		13,172		13,776
Capital reserve - realised		**(22,716)**		(20,444)		(21,286)
- unrealised		**(374)**		5,797		1,690
Revenue reserve		**617**		627		719
Non-equity shareholders' funds		**20,206**		27,506		23,217
Net asset value per unit		**98.93p**		135.75p		113.62p
Net asset value per income share		**23.22p**		49.47p		41.04p
Net asset value per capital share		**0.00p**		16.75p		-
Net asset value per zero dividend preference share		**75.71p**		69.53p		72.58p

Statement of cash flow

	6 months ending 28 February 2003 (unaudited)		6 months ending 28 February 2002 (unaudited)		Year ending 31 August 2002 (audited)	
	£000	**£000**	£000	£000	£000	£000
Operating activities						
Net dividends and interest received from investments	**736**		637		1,41	
Interest received from deposits	**20**		30		62	
Income taxation recovered	**0**		0		60	
Investment management fee	**(135)**		(154		(307)	
Cash paid to and on behalf of directors	**(24)**		(32		(53)	
Other cash payments	**(82)**		(83		(149)	
Net cash inflow from operating activities		**51**		39		1
Servicing of finance						
Non-equity dividends paid	**(634)**		(614		(1,16	
Net cash outflow from servicing of finance		**(63**		(61		(1
Capital expenditure and financial investment						
Payments to acquire investments	**(1,**		(3		(6,55	
Receipts from disposal of investments	**1,**		3		6,05	
Net cash (outflow) / inflow from capital expenditure and financial investment		**(5**		3		(494
Decrease in cash for the period		**(17**		(18		(633