

2008



Strathdon Investments plc

Report and Accounts

for the year ended 31 March 2008

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DIRECTORS AND ADVISERS

Directors

A C Firth (resigned 2 July 2008)
D J Gamble
S D Hunt
M R D Roller (resigned 30 August 2007)
M F Williams

Secretary and Registered Office

J E P Gervasio
Saint Martins House
210-212 Chapeltown Road
Leeds LS7 4HZ

Fund Manager

YFM Venture Finance Limited
Saint Martins House
210-212 Chapeltown Road
Leeds LS7 4HZ

Bankers

Kaupthing Singer & Friedlander Limited
1 Hanover Street
London W1S 1AX

Solicitors

SJ Berwin
222 Gray's Inn Road
London WC1X 8XF

Nominated Adviser and Broker

Seymour Pierce
20 Old Bailey
London EC4M 7EN

Auditors

Ernst & Young LLP
Registered Auditors
1 More London Place
London SE1 2AF

Registrar and Transfer Office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham BR3 4BR

Registered in England and Wales No. 726423
Strathdon Investments Plc is an investment company as defined under
Section 266 of the Companies Act 1985

STATEMENT OF CORPORATE OBJECTIVES

Strathdon Investments holds a portfolio of unquoted investments which are in the process of realisation.

Strathdon is not currently seeking to invest in new opportunities. It continues, with the help of its new Fund Manager, to provide management support to the present portfolio. This should enable the focus of realising the maximum value from the portfolio, in the near to medium term, to be maintained.

KEY DATA

	31 March 2008	31 March 2007	31 March 2006	31 March 2005
Net Asset Value £'000	4,970	13,988	16,269	17,784
Net Asset Value per share	9.59p	27.00p	31.4p	37.1p
Share price per share	7.0p*	20.25p	28.5p	31p

* Share price at 24 September 2008 was 3.75p

FINANCIAL CALENDAR

Results Announced	25 September 2008
Annual General Meeting	24 October 2008

CHAIRMAN'S STATEMENT

My first Chairman's Statement covers what has been an extremely challenging year for Strathdon. Overall the Group's strategy has been to continue the policy of realising its investment portfolio, reducing both its costs and bank debt and where possible selectively supporting the residual portfolio. All this is being targeted within the constraints of limited liquidity.

Some progress has been made in the year, although this is very much tempered by two significant failures of the investments in Stagebeach Limited and Capital Consulting Limited. As a result, whilst during the year bank debt has been reduced from £1.28 million to £0.66 million, with a further reduction to £0.3 million achieved after the year end, and running costs (excluding provisions for credit losses) have been reduced by 42% to £0.77 million with further reductions planned, the net asset value has fallen to £4.97 million equivalent to 9.6 pence per share (2007: £14.0 million and 27.0 pence per share respectively).

The board's key objective in the short term is to restore liquidity and extinguish the bank debt. In this regard we are seeking to accelerate the realisation of the portfolio through a formal process which has commenced. At the same time the board is continuing to review its strategic options to deliver shareholder value.

We have taken steps to lower the cost base further by reaching an agreement with the Fund Manager to reduce their fees from 1 January 2009.

Since the end of the financial year we have reduced the size of the board from 4 to 3 directors. Whilst the accelerated disposal of the portfolio continues it is intended to maintain the size of the board. Depending on the outcome of the exercise the board will keep this under review.

Portfolio Company Performance

In aggregate £2.48 million was realised from 8 investments over the course of the year (of which £2.03 million has been received with the balance to be paid over time). Whilst these realisations generated a loss of £0.29 million, compared with original cost, they represented an increase of £0.24 million compared with the last reported carrying value. The bulk of these net proceeds have been used to reduce the debt of the Group.

The Fund Management activity during the year has been focused on the existing portfolio with no new investments completed. Investments in 4 existing portfolio companies amounted to £0.96 million. This comprised £0.44 million in Stagebeach Limited, £0.40 million in Newnova Group Limited, £0.11 million in Meta Vision Systems Limited and a small £7k investment in Oxagen Limited. The investment in Newnova represents £0.40 million of loan stock issued by the Newnova Group at the time of the disposal of Newnova Limited and represents a partial rollover of realisation proceeds. These are due to be paid in two instalments on the first and second anniversary of the transaction. In total proceeds of £0.77 million have been realised in respect of Newnova. The investment in Meta has taken the business into profitability with new contract wins seeing turnover increase significantly. This has attracted further investment from a trade investor subsequent to the year end.

The investments in Stagebeach were completed as part of a final effort to support the company through to profitability. Despite this, the improvement in Stagebeach's performance was not delivered and after a further review it was determined that further support was not warranted. As a consequence the two main trading subsidiaries of Stagebeach were placed in to administration in January 2008.

The year also saw Capital Consulting Limited sold under the guidance of the loan stock holder. The sale was effected quickly and did not produce a return to the equity investors of which Strathdon was one.

There is no doubt that overall this year has been disappointing with the reductions in value arising from Stagebeach and Capital Consulting outweighing the increase in value from the realisations.

The residual portfolio comprises 11 investments with an aggregate value of £5.6 million with 7 of these investments comprising in excess of 96% of the residual value.

CHAIRMAN'S STATEMENT

continued

Financial Results

With Reporting Standards committed to international convergence, Strathdon is now required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Consequently, comparatives have been restated to reflect this change as set out in Strathdon's IFRS Restatement Announcement released on 24 December 2007. The most significant impact reflected in these accounts of adoption of IFRS on Strathdon's previously reported financial information is with regard to the treatment of gains and losses on the revaluation of investments.

The loss for the year was £9.0 million compared to £2.28 million in the prior year. This is after taking account of a write down on unrealised investment valuations of £7.8 million (2007: £0.99 million) and an associated trade receivables provision of £0.7 million. The largest single impact was the write down on Stagebeach, resulting in an adverse valuation movement of £5.26 million.

Total net assets at 31 March 2008 were £4.97 million (2007: £13.99 million) equivalent to a net asset value per share of 9.59 pence (2007: 27.00 pence).

At 31 March 2008, bank borrowings totalled £0.66 million. The facility agreement has been varied and extended and at the current date borrowings have been further reduced to £0.3 million. Planned realisation negotiations of certain investments are ongoing, the intention being that borrowings will be eliminated as soon as possible.

As reported at the interim, at 31 March 2007 Strathdon was deemed to hold a controlling interest in Stagebeach Limited. The capital structure that gave rise to Strathdon having a controlling interest had always been intended to be temporary in nature and, following a re-organisation in May 2007, Strathdon's interest fell below 50%. At all times operational control vested with the management. As a consequence the results of Stagebeach have not been consolidated in accordance with IAS 27 'Consolidated and Separate Financial Statements' as the directors feel that it would not assist shareholders in their understanding of these financial statements and would also be inconsistent with the nature of the business of Strathdon, which is that of an investment company. This treatment was previously permitted under UK GAAP.

Board

Further to the announcement made on 24 December 2007, Andrew Firth stepped down as Chairman on 2 July 2008. The board would like to thank Andrew for his substantial contributions to the Company during his time as Chairman as we now continue to implement plans to work through what has been a very challenging period for Strathdon.

The number and composition of the board is kept under constant review. Should the realisation of the portfolio be further accelerated further changes will be considered. Until that time the board feels that the current composition is appropriate for the needs of the Company.

Outlook

2007/08 has been another challenging year for Strathdon with disappointing results from some of the portfolio companies. Strathdon's operations have been substantially restructured, culminating in the appointment of YFM Venture Finance Limited as the Group's Fund Manager. This has reduced administration costs and provided direct access to a depth of venture capital industry experience. It has been agreed with the Fund Manager that costs will be further reduced and this is to be implemented from 1 January 2009. The board remains committed to realising value from the portfolio whilst at the same time reviewing its strategic options to enhance shareholder value.

Simon Hunt Chairman
25 September 2008

UNQUOTED INVESTMENTS

as at 31 March 2008

	Unrealised Valuation at 31 March 2008 £'000	Unrealised Valuation at 31 March 2007 £'000
Stagebeach Limited	–	5,261
Meta Vision Systems Limited	1,899	1,717
AMG Systems Limited	1,202	1,252
Capital Consulting Limited	–	1,067
Business HR Solutions Limited	658	611
Newnova Group Limited	511	574
In Touch with Health Limited	464	943
Episys Limited	363	915
Oxensis Limited	226	100
Knowledge Capital Group Inc	95	95
Utiyx Limited	48	176
Oxagen Limited	46	39
eeParts Limited Inc	45	710
Other Investments	–	1,214
	<u>5,557</u>	<u>14,674</u>

This section describes the business of the active companies in the portfolio, in order of valuation at 31 March 2008 as detailed above.

**Meta Vision
Systems
Limited**

Eynsham
www.meta-mvs.com

Meta Vision Systems is dedicated to solving machine guidance problems in a cost effective manner using laser vision technology. Meta's products are predominately used to improve quality and productivity in automated welding. The main advantages of laser guidance systems are functionality, speed and performance. As well as welding with robots and automatic machines, Meta's systems are suitable for any application that involves finding or following a feature such as a joint, edge or hole to track a seam or locate a reference position.

Meta serves many prestige clients across the globe including DaimlerChrysler in Germany, Babcock & Wilcox in Canada, all of the "Big Five" pipe manufacturers in India and BSG in China, the leading government owned pipe maker which sets the standards for Chinese pipe manufacturing.

**AMG Systems
Limited**

Biggleswade
www.amgsystems.co.uk

AMG Systems is the UK's leading supplier of optical fibre-based transmission systems for CCTV networks for the growing worldwide security and transportation surveillance market. AMG has a comprehensive and growing product range with many unique benefits. AMG's client list includes Ben Gurion Airport, New Wembley Stadium, UK and Irish Highways, the UK MOD Whitehall, and the Museum of Islamic Arts in Doha.

**Business HR
Solutions
Limited**

London
www.bhrsol.com

Business HR provides outsourced HR management services and support to clients via the internet and telephone. The company has a uniquely cost effective way of delivering high quality HR advice that is based on the use of home-working seasoned HR professionals. The company is addressing a potential market of around £250 million per annum through direct sales, agency relationships and strategic partnerships with organisations such as Connaught plc, Hiscox Insurance, and Intellect.

The company has also recently launched a "TotalCare" insurance offering in collaboration with Hiscox.

**Newnova
Group Limited**

Windsor
www.newnova.co.uk

Trading under BMS and Setpoint names, the Newnova Group provides a turnkey service of installing and commissioning building management systems, i.e. systems which monitor and optimise the environment (temperature, light and power) in buildings. Its market spans a broad range of buildings, including large office blocks, hospitals, unmanned switching equipment sites and high value private housing schemes. Its systems enable the user to optimise power usage and source any faults in the underlying control equipment, and the company offers ancillary products and a maintenance service with the system.

Strathdon agreed a partial management buyout in March 2008, under the terms of which a full exit is envisaged over the next 2 years.

UNQUOTED INVESTMENTS

continued

Intouch with Health Limited

Cirencester
www.intouchwithhealth.co.uk

Intouch with Health has a growing business in the provision of Patient Information and Patient Feedback services to NHS Trusts. These services can be relayed to patients by resident PCs or touchscreen kiosks supplied by Intouch, hospital bedside units, the internet and in printed format. Over 60 NHS Trusts are using these services. Intouch also has a consumer health portal, www.surgerydoor.co.uk.

Episys Limited

Royston
www.episys.com

Episys is a global information technology solutions and services company serving the retail, manufacturing, healthcare and other industries. Episys provides expertise, products, services and support for signage, labelling and mobile systems. Episys has developed technology and expertise to enable organisations to input information from a variety of sources, process it and output the required data to the chosen device, such as radio frequency handheld terminals, portable printers, large static printers, electronic signage and the internet. Customers include major retailers in the UK and US such as Woolworths and Sears.

Strathdon sold 50% of its holding in Episys in May 2007.

Oxsensis Limited

Oxford
www.oxsensis.com

Oxsensis is working on advanced instrumentation for gas turbines in the aviation and power sectors which is designed to achieve major reductions in greenhouse gas emissions as well as considerable fuel savings. The extreme environment sensors also have broader potential applicability to energy intensive industries and automotive engines. Oxsensis is a spin-out from the Council for the Central Laboratory of the Research Councils run by the team that successfully built Bookham Technology.

Knowledge Capital Group Inc

Austin, Texas
www.knowledgecap.com

The Knowledge Capital Group (KCG) is a services business which has a highly focused offering: working with client companies to properly manage analyst relations. As a result of this focus, post-2001 the company has seen a significant increase in interest, activity, turnover and profits. Although a small company, KCG is widely known as a domain expert in a market with few direct competitors.

Utilyx Limited

London
www.utilyx.com

Utilyx is a leading European energy and climate change advisory and transaction management firm. It helps larger energy users manage energy price risk and achieve lowest prices for electricity and gas. These cost savings are generally an order of magnitude greater than Utilyx's fees. Utilyx assesses the market for outsourced energy broking and risk management across Europe to be over £200 million. Utilyx has a high quality blue chip client list that includes government bodies, corporations, developers and investors.

Oxagen Limited

Abingdon, Oxford
www.oxagen.com

Oxagen Limited is developing a pipeline of novel small molecule drugs to treat inflammatory and respiratory diseases. The company has created a portfolio of valuable drug targets centered on the highly attractive class of receptors, GPCRs. Through its heritage in human genetics, Oxagen has validated a number of GPCR targets, many of them novel, and is progressing the most promising as drug targets. The lead program, targeting a GPCR known as CRTH2 with a strong genetic association to asthma, has generated a number of promising candidate small molecules which are orally bioavailable and offer the potential to treat asthma and other respiratory and inflammatory conditions.

eeParts Limited

Dallas, Texas
www.eeparts.com

eeParts is a leading provider of supply-chain systems and inventory management services to the worldwide electronic component spot market. eeParts operates an internet-based marketplace serving the component spot market and provides Component Inventory Re-distribution™ services and Product End of Lifecycle Inventory management services to Original Equipment Manufacturers. eeParts also provides spot market sales, order processing, fulfilment, logistics, reporting and financial services for leading component manufacturers, franchised distributors and independent distributors. Based just outside Dallas, Texas, eeParts also maintains four operations in China, which account for 40% of electronic component usage.

VALUATION OF INVESTMENTS

Initial measurement

Financial assets are initially measured at fair value. The best estimate of fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent measurement

The International Private Equity and Venture Capital (IPEVC) Valuation Guidelines identify six of the most widely used valuation methodologies for unquoted investments. The Guidelines advocate that the best valuation methodologies are those that draw on external, objective market based data in order to derive a fair value.

Unquoted Investments

- **Price of recent investment.** This represents the cost of the investment or the price at which a significant amount of new investment has been made by an independent third party, but is only considered relevant for a limited period following the date of the relevant transaction. A period of twelve months is used in practice. During this period, the value of the investment is assessed for changes or events that would imply impairment to the fair value. In addition, the valuation technique also represents certain situations where although the twelve month period has expired, an alternative valuation technique is not followed because an additional investment has been made by the Group at the same price as the previous investment and an alternative valuation technique would not result in a better estimate of fair value. The whole investment is also assessed for impairment.
- **Earnings multiple.** A multiple that is appropriate and reasonable, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of that company.
- **Net assets.** The value of the business is derived by using appropriate measures to value the assets and liabilities of the investee company.
- **Discounted cash flows of the underlying business.** The present value of the underlying business is derived by using reasonable assumptions and estimations of expected future cash flows and the terminal value, and discounting by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company.
- **Discounted cash flows from the investment.** Under this method, the discounted cash flow concept is applied to the expected cash flows from the investment itself rather than the underlying business as a whole.
- **Industry valuation benchmarks.** Where appropriate comparator companies can be identified multiples of revenues may be used as a valuation benchmark.

Discounted cash flows and industry valuation benchmarks are only likely to be reliable as the main basis of estimating fair value in limited situations. Their main use is to support valuations derived using other methodologies and for assessing impairment.

Where an independent third party valuation exists, this will be used as the basis to derive the gross attributable enterprise value of the company. In other cases, the most suitable valuation technique, as set out above, is used to determine this value. This value is then apportioned appropriately to reflect the respective amounts accruing to each financial instrument holder in the event of a sale at that level at the reporting date.

Unquoted investments held in the form of loan investments are valued at fair value using the appropriate methodologies as used for valuing equity investments, these primarily being price of recent investment and discounted cashflows from the investment.

DIRECTORS

Simon Hunt – Non-executive Chairman (appointed 02 July 2008)

Simon Hunt has over 20 years' experience in venture capital and corporate finance, predominately with technology businesses. Having started as a corporate lawyer, he was a venture capital manager with Gartmore Investment Management Limited for four years. He subsequently established his own venture capital and M&A advisory business. In 1995 he acted as principal in the reverse takeover by an information technology business of a quoted shell company and he subsequently became the executive chairman of the merged company until February 2001. He is currently executive chairman of Ipsos Ventures plc.

Andrew Firth – Non-executive Chairman (resigned 02 July 2008)

Andrew Firth is Chief Operating Officer of Money Portal plc. He was the founder and CEO of Clearwell Limited, a consumer investment solutions business which was sold to Money Portal in November 2006. He was Managing Director of Egg Investments until January 2004. He was part of the founding management team of Egg plc in 1998 and part of the IPO team in 2000. During his six years at Egg plc he was also Marketing Director and Group Strategy Director. Prior to joining Prudential plc in 1996 he was with the technology consultants Accenture plc (formerly Anderson Consulting). Andrew has been a non-executive director of the Company since April 2001, and Chairman from November 2002. He has an MBA from Cranfield School of Management.

David Gamble – Non-executive Director

David Gamble was Chief Executive of British Airways Pension Investment Management from 1993 to 2004. He is a director of a number of venture capital and technology investment companies and is a trustee of two large pension funds.

Malcolm Williams – Non-executive Director

Malcolm Williams spent 38 years at Dresdner Kleinwort Wasserstein Limited (formerly Kleinwort Benson Limited) based in Europe and Asia. From 2000 to 2004 he was Chief Operating Officer of Global Private Equity, prior to which he served as Chief Operating Officer of Global Finance. Between 1985 and 1998 he was resident in Hong Kong as Chief Executive of Kleinwort Benson (Hong Kong) Limited, where he was responsible for the bank's business in Hong Kong, China and South East Asia, and subsequently, following its acquisition by Dresdner Bank, as Chief Operating Officer Asia. Prior to his time in Asia, he was a member of the Board of Management of Kleinwort Benson (Deutschland) GmbH based in Bremen. He retired from the Allianz Dresdner Group in 2004 and is now on a number of boards and private equity investment committees.

DIRECTORS' REPORT

for the Year Ended 31 March 2008

The directors present their report and audited financial statements of the Group for the year ended 31 March 2008.

Principal Activity

The Company is a public limited company incorporated and registered in England and Wales under the Companies Act 1948. The address of the registered office and principal place of business is Saint Martins House, 210-212 Chapeltown Road, Leeds LS7 4HZ.

The Company has its primary, and sole, listing on the Alternative Investment Marketing (AIM) of the London Stock Exchange. The Company's principal activity is to carry on business as an investment company.

Business Review

As in previous years, a review of the business's activities over the past 12 months and the outlook for future developments are included within the Chairman's Statement on page 3.

During the year under review, the Group executed its previously declared intention of liquidating its portfolio of unquoted investments in order to pay down borrowings and continues to do so. The Group has also indicated that it would no longer be making new investments and would focus on extracting maximum value out of its existing portfolio.

Following the strategic review and the appointment of YFM Venture Finance Limited (YFM) as Fund Manager, the Group does not have any employees apart from the four non-executive directors who served during the year. The business and administrative duties of the Group are contracted to the Fund Manager, with the Board retaining the key decision matters for approval.

Principal risks, risk management and regulatory environment

The Board believes that the principal risks faced by the Group are:

Investment and strategic – quality of investee company management teams and monitoring. The risk of not identifying investee underperformance might lead to the Group's under performance and poor returns to shareholders.

Liquidity Risk – the Group's investments may be difficult to realise. The Group invests predominantly in early stage technology businesses; such businesses are inherently riskier than more established companies and the principal risk that the Group faces is that it invests in companies which fail. The Group has a borrowing facility at the balance sheet date of £656,000. Liquidity to fund the operating costs of the Group's activities is currently provided by the borrowing facility and by disposals of unquoted assets.

Regulatory – the Company and Group are required to comply with the Companies Acts, the AIM rules and the International Accounting Standards. Breach of any of these regulatory rules might lead to suspension of the Company's AIM listing, financial penalties or a qualified audit report.

Reputational – inadequate or failed controls might result in breaches of regulations or loss of shareholder trust.

Operational – failure of the Fund Manager's accounting systems or disruption to its business might lead to an inability to provide accurate reporting and monitoring.

Financial – inadequate controls might lead to misappropriation of assets. Inappropriate accounting policies might lead to misreporting or breaches of regulations.

Interest Rate Risk – the interest on the borrowing facility is based on a charge over LIBOR and as such is exposed to changes in interest rates.

DIRECTORS' REPORT

continued

Foreign Currency Risk – the Group holds two unquoted investments which are based in the USA, but has no other significant foreign exchange exposures.

The risks faced by the Group with regard to interest rates, liquidity and foreign currency are disclosed in note 27 to the accounts.

The Board seeks to mitigate the aforementioned internal risks by setting policies, regular review of performance, monitoring progress and compliance. The key performance indicators measure the Group's performance.

Collection of monthly management accounting information from its investees facilitate regular reviews of investee company performance.

Key Performance Indicators

The principal measure by which the group measures progress in its performance is the growth of Net Asset Value per share ("NAV"). This is discussed in more detail in the Chairman's Statement on page 3.

Results & Dividend

The Consolidated loss after taxation for the year amounted to £9.0 million (2007: £1.99 million). This arose principally as a result of the need to make provisions against three investments and associated income, as discussed more fully in the Chairman's Statement on page 3. The Consolidated Income Statement for the year is set out on page 22.

The Consolidated Balance Sheet on page 23 of the financial statements sets out the Group's financial position as at 31 March 2008. The Group held £5.56m of unquoted investments at that date.

The net asset value per share at 31 March 2008 was 9.59p (2007: 27.00p). The mid-market price per ordinary share at 31 March 2008 was 7.0p (2007: 20.25p)

The transfer to and from reserves is given in The Statement of Changes in Shareholders' Equity on page 25.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2008 (2007: nil).

Trade Payables Policy

It is the Group's payment policy to obtain the best terms for all business including purchases of investments, ensuring suppliers are made aware of the terms of payment. It is the Group's policy to abide by those agreed terms. There were trade payables of £198,000 outstanding at 31 March 2008 (31 March 2007: £41,000). The average number of trade payables days during the year was 123 (2007: 19).

Donations

There were no political or charitable donations made in the year (2007: none).

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on page 55 of these financial statements.

Substantial Shareholding

At the date of this report, the Company had been notified of the following holdings of 3 per cent and over of the Company's Ordinary share capital:

	No. of Ordinary shares	%
Progressive Asset Management	13,137,698	25.4
SVM Asset Management	7,641,786	14.8
British Airways Pension Trustees	5,142,697	9.9
Deutsche Bank	3,250,000	6.3
Co-operative Insurance Society	4,000,000	7.7
Wolseley Investments	2,534,302	4.9
Ignot Capital Management	2,400,000	4.6
Derbyshire County Council	2,029,166	3.9
AIG Group	1,563,332	3.0
	<u>41,698,981</u>	<u>80.5</u>

Directors and their Interests

The directors of the Company at 31 March 2008, their interests and contracts of significance are set out in the Directors' Remuneration Report on pages 18 and 19.

Independent Auditors

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

Directors' statement as to disclosure of information to auditors

Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information needed by the Group's auditors in connection with preparing their report of which the auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Events after the balance sheet date

On 3 April 2008 YFM Group (Holdings) Limited, the ultimate parent company of YFM Venture Finance Limited, the Group's Fund Manager, was sold to GLE Group which acquired its entire share capital. GLE operates a range of businesses, including property investment and development, business finance, business development and economic development consultancy.

It is not envisaged that there will be any change to either the members of the Group's investment team or to the operations of YFM Venture Finance Limited that would have any material effect in respect of its relationship with Strathdon Investments plc or its ability to operate the Group and manage its investment portfolio.

DIRECTORS' REPORT

continued

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with the applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to give a true and fair view of the financial position of the Group, the financial performance and cash flows of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for ensuring that the Group keeps accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published at www.yfmgroup.co.uk, which is a website maintained by the Group's Fund Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination may differ from legislation in other jurisdictions.

Statement of Corporate Governance

The directors are responsible for the Company's policy on Corporate Governance. The Company supports the Principles of Good Governance and the Code of Best Practice ("the Combined Code").

Whilst the Company is not required to comply with the provisions of the Combined Code, it has chosen to make the following voluntary disclosures. These relate to practice during the year ended 31 March 2008.

Role of the Board

A management agreement between the Group and YFM sets out the matters over which the Fund Manager has authority. This includes management of the Group's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Group's investment objectives and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Group's corporate governance and risk control arrangements.

The Board meets regularly throughout the year. Full and timely information is provided to the Board to enable it to function effectively and to allow directors to discharge their responsibilities.

There is an agreed procedure for directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every director has to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed. The Company indemnifies its directors and officers and has purchased insurance to cover its directors. Neither the insurance nor the indemnity provide cover if the director has acted fraudulently or dishonestly.

Board Composition

The Board consists of three non-executive directors, all of whom are regarded by the Board as independent, including the Chairman.

The independence of the Chairman was assessed on his appointment. Although the Combined Code presumes that the chairman of a company is deemed not to be an independent director, the remaining directors, having considered the nature of the role in this Company, are satisfied that Simon Hunt fulfils the criteria for independence as non-executive director. The directors have a breadth of investment, business and financial skills and relevant experience to the Company's business and provide a balance of power and authority, including recent and relevant financial experience. Brief biographical details of each director are set out on page 8.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which are given below.

There are no executive officers of the Company. Given the structure of the Board and the fact that the Company is managed by YFM, the Company has not appointed a chief executive officer or a senior independent non-executive director. In addition, the directors consider that the role of a senior independent non-executive director is taken on by all of the directors. Shareholders are therefore able to approach any director with any queries they may have.

Appointment of Chairman

Further to the announcement made on 24 December 2007, Andrew Firth stepped down as Chairman on 2 July 2008. The Board would like to thank Andrew for his considerable contribution throughout his time as Chairman and wish him well for the future. Simon Hunt, a non-executive Director of the Company has taken over from Andrew as Chairman with effect from 2 July 2008.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees.

The table below details the number of Board, Audit and Remuneration Committee meetings attended by each director. During the year there were 9 formal Board meetings, 2 Audit Committee meetings, no Nomination Committee meetings and 1 Remuneration Committee meeting. The directors met via telephone conference on 7 other occasions.

Director	Board meetings attended	Audit Committee meetings attended	Remuneration Committee meetings attended
Andrew Firth (resigned 02 July 2008)	9	2	1
Simon Hunt	7	2	1
David Gamble	7	1	1
Malcolm Williams	8	2	1
Michael Roller (resigned 30 August 2007)	3	1	–

DIRECTORS' REPORT

continued

Remuneration Committee

The Board has established a Remuneration Committee comprised of non-executive directors. Details of the Company's Remuneration policy are contained within the Directors' Remuneration Report on pages 18 and 19. The Remuneration Committee has written terms of reference which define clearly its responsibilities, copies of which are available for inspection on request at the Company's registered office and at the AGM. The Committee has access to external professional advice if required.

Audit Committee

During the financial year the Audit Committee has consisted of the independent non-executive directors. The committee meets at least twice each year. The directors consider that it is appropriate that the Chairman of the Committee should be Malcolm Williams. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Audit Committee reviews the actions and judgments of management in relation to the interim and annual financial statements and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors.

Representatives of the Group's auditors attend the Committee meeting at which the draft Annual Report and financial statements are considered. The directors' statement on the Group's system of internal control is set out below.

The Audit Committee considers the independence and objectivity of the auditors on an annual basis. The Audit Committee considered that the independence and objectivity of the auditors has not been impaired or compromised.

The Audit Committee has written terms of reference which define clearly its responsibilities, copies of which are available for inspection on request at the Company's registered office and at the AGM.

Nomination Committee

The Company has a Nominations Committee which consists of the independent non-executive directors. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance, and reports formally to shareholders twice a year by way of the Annual Report and the Interim Report. This is supplemented by the daily publication, through the Alternative Investment Market, of the Company's share price.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the directors and representatives of the Fund Manager are available in person to meet with and answer shareholders' questions. The directors of the Company, together with their advisers, hold regular meetings with key institutional shareholders, thereby helping to ensure that there is a mutual understanding of objectives.

The directors may be contacted through the Company Secretary whose details are shown on page 1.

The Company's Annual Report is published in time to give shareholders at least 21 clear days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Secretary at the address shown on page 1. Separate resolutions are proposed for each separate issue. Proxy votes will be counted and the results announced at the Annual General Meeting for and against for each resolution.

Internal Control

Under an agreement dated 9 August 2007, the executive functions of the Group have been contracted to YFM. The Board receives operational and financial reports on the current state of the business and on appropriate strategic, financial, operational and compliance issues. These matters include, but are not limited to:

- A clearly defined investment strategy for YFM, the Fund Manager to the Group. All decisions concerning the acquisition or disposal of investments are taken by the Board after due consideration of the recommendations made by the Fund Manager.
- Regular reviews of the Group's investments, liquid assets and liabilities, and revenue and expenditure.
- The Audit Committee reviews the internal control procedures adopted by the Fund Manager and the Board approves annual budgets prepared by the Fund Manager.
- The Board receives copies of the Group's management accounts on a regular basis showing comparisons with budget. These include a report by the Fund Manager with a review of performance and the investment portfolio. Additional information is supplied on request.

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors have reviewed the effectiveness of the Group's systems of internal control for the year to the date of this report. The directors are of the opinion that the Group's systems of internal, financial, and other controls are appropriate to the nature of its business activities and methods of operation given the size of the Group.

Corporate Governance and Voting Policy

The Group delegates responsibility for monitoring its investments to YFM whose policy, which has been noted by the Board, is as follows:

YFM is committed to introducing corporate governance standards into the companies in which its clients invest. With this in mind, the Group's investment agreements contain contractual terms specifying the required frequency of management Board meetings and of annual shareholders' meetings, and for representation at such meetings through YFM. In addition, provision is made for the preparation of regular and timely management information to facilitate the monitoring of investee company performance in accordance with the best practice in the private equity sector.

Going Concern

After making due and careful enquiry, the directors have formed a judgement at the time of approving the financial statements that, given the planned realisation programme, there is a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt a "going concern" basis in preparing the financial statements.

In arriving at their decision to prepare the financial statements on a going concern basis, the Directors have reviewed the anticipated income and expenditure of the Group until 30 September 2009 and compared this with the Group's expected cash resources. This included consideration of the anticipated realisation proceeds of the investment portfolio, the timing of the realisation process and the cash flow implications. The going concern basis depends upon the success of the Group in raising financial resources from the realisation of its investment portfolio.

DIRECTORS' REPORT

continued

Investment policy

The Group holds a portfolio of unquoted investments which are in the process of realisation.

While Strathdon is not currently seeking to invest in new opportunities, it will continue to make follow on investments in some of its portfolio companies and with the help of its new Fund Manger provide management support to the present portfolio. This should enable the focus on realising the maximum value from the portfolio in the near to medium term to be maintained.

The Group has invested in young technology companies, primarily in the UK businesses, with a focus on businesses that are applying information technology to areas which include energy, finance, healthcare and process control sectors.

The Fund Manager is responsible for the sourcing and screening of investment opportunities, carrying out suitable due diligence investigations and making submissions to the Board regarding potential investments and seeking to realise the maximum value from the current portfolio.

The Board reserves to itself the taking of all investment and divestment decisions.

The Board regularly monitors the performance of the portfolio. Reports are received from YFM as to the trading and financial position of each investee company and members of the investment team regularly attend Board meetings.

In the opinion of the directors the continuing appointment of YFM as Fund Manager is in the interests of the shareholders as a whole in view of its experience in managing investment companies and funds and in making and exiting investments of the kind falling within the Group's investment policy.

Financial Instruments

Further information on financial instruments is provided in Note 27 to the financial statements.

Investments made predominantly comprise ordinary and preference shares together with fixed and variable rate cumulative unsecured loan stocks. Each investment is valued in accordance with the policy set out on page 7 of this report.

The Group invests in financial assets to provide capital growth for shareholders that can eventually be distributed by way of dividends. Unquoted venture capital investments normally take a number of years to mature and are, by nature, illiquid. Therefore, realised capital gains on these investments are a medium to long-term aim.

Due to the structure of certain investments, preference share redemptions and loan stock repayments may become due during the term of the investment. These are usually at fixed dates, although in some instances the investee company has the option of repaying earlier. In some instances the redemption carries a premium repayment.

Details of financial assets held at 31 March 2008 can be found in the Unquoted Portfolio section and notes 12 and 27 to these Financial Statements.

Special Business at the Annual General Meeting

Shareholders will find on pages 55 to 57 the notice of the forthcoming Annual General Meeting of the Company to be held on 24 October 2008. In addition to the ordinary business of the meeting, three resolutions (numbered 5, 6 and 7) are proposed as special business.

Special Resolution No.5 seeks the renewal of the Directors' authority to allot relevant securities of the Company up to an aggregate nominal value of £863,617 (being one-third of the total issued Ordinary share capital on 31 March 2008).

Special Resolution No.6 provides that notwithstanding the pre-emption provisions of section 89 of the Companies Act 1985, the Directors be given the power to issue Ordinary shares for cash up to an aggregate of 5% of the Ordinary issued share capital.

Special Resolution No.7 seeks the renewal of the Directors' authority to buy back Ordinary shares of the Company up to a limit of 7,767,376 Ordinary shares (being 14.99 per cent of the issued Ordinary share capital at 31 March 2008), subject to the restrictions detailed in the Notice of Meeting. The Directors may seek to make market purchases of the Company's shares in the event that the opportunity to do so arises at a price which represents a discount to Net Asset Value of more than 10%.

This report was approved by the Board on 25 September 2008 and signed on its behalf by:

J E P Gervasio Company Secretary
25 September 2008

DIRECTORS REMUNERATION REPORT

Companies that have their shares listed on AIM are not required to comply with the disclosure requirements of the Directors' Remuneration Report Regulations 2002 or to comply with UKLA Listing Rules and the disclosure provisions under Schedule 7A of the Companies Act 1985. However, the Directors have chosen to make the following voluntary disclosures.

Policy on remuneration of directors and senior management

Remuneration and terms of appointment of the non-executive directors were agreed by the Remuneration Committee during the year under review.

Share Options

A new share option scheme was put in place at the time of the merger of Strathdon Investments with the Invesco Techmark Enterprise Trust in June 2004. Over the five year period from that date, the scheme results in a maximum vesting of options if the annualised growth in NAV per share exceeds 20%, and a zero vesting if growth in NAV per share is below 8%.

No options were granted under the terms of this scheme during the year.

Directors and their Interests

The directors of the Company at 31 March 2008 and their beneficial interests in the share capital of the Company (including those of immediate family members) were as follows:

	At 31 March 2008	At 31 March 2007	At 31 March 2008	At 31 March 2007
	Warrants	Warrants	Ordinary shares	Ordinary shares
A C Firth (resigned 2 July 2008)	–	–	105,000	105,000
S D Hunt	7,318	7,318	2,396	2,396

No other directors had any interest, beneficial or otherwise, in the shares of the Company during the year.

No director was party to, or had an interest in, any contract or arrangement with the Company at any time during the year.

Brief biographical notes on the directors are given on page 8.

Staff costs are detailed in note 6 to the accounts. Following the appointment of YFM Venture Finance as Fund Manager, the Group has had no employees or executive directors.

Directors' Remuneration

Total directors' remuneration for the year amounted to £105,063 (2007: £280,590) of which £90,063 (2007: £265,590) was paid or accrued to individuals for services as directors and £15,000 (2007: £15,000) of which was paid or accrued to third parties in respect of directors' services. The emoluments of S D Hunt are payable to a company controlled by him.

The total fees paid or accruing in respect of individual directors who served during the year were as follows:

	Salary and fees	Benefits	Compensation for loss of office	2008 Total	2007 Total
	£	£	£	£	£
D J Gamble	15,000	–	–	15,000	15,000
S D Hunt	15,000	–	–	15,000	15,000
M F Williams	15,000	–	–	15,000	15,000
A C Firth*	25,000	–	–	25,000	35,000
M R D Roller**	13,333	955	20,775	35,063	57,130
H J P Stewart***	–	–	–	–	143,460
Total	<u>83,333</u>	<u>955</u>	<u>20,775</u>	<u>105,063</u>	<u>280,590</u>

* Resigned 2 July 2008

** Resigned 30 August 2007

*** Resigned 24 November 2006

At 31 March 2008 accrued directors remuneration amounted to £32,083 payable to individuals and £8,750 payable to third parties in respect of directors' services. (2007: nil).

No further amounts are due to Mr M R D Roller in respect of compensation for loss of office.

A C Firth's emoluments of £35,000 in 2007 include a base salary of £25,000 and an additional fee of £10,000 agreed by the Remuneration Committee for extra work carried out in connection with the Group's strategic review process.

It is the Company's policy not to provide any performance emoluments, benefits in kind, any other emoluments or pension contributions to any non-executive director. No directors are, or have previously been, entitled to shares under any share option or long-term incentive schemes.

INDEPENDENT AUDITORS' REPORT to the members of Strathdon Investments plc

We have audited the group and parent company financial statements (the "financial statements") of Strathdon Investments plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and Parent Company Statement of Changes in Equity and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only Directors and Advisers, the Statement of Corporate Objectives, the Chairman's Statement, Unquoted Investments, Valuation of Investments, the Directors' Report, Corporate Governance, the Directors' Remuneration Report and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Adverse opinion on the financial statements

As more fully explained in Note 22 to the financial statements, the Group held a majority investment in Stagebeach Ltd until May 2007, when its shareholding fell below 50% and it ceased to have control of Stagebeach. This investment was accounted for as a financial asset designated at fair value through profit or loss as at 31 March 2007 and 1 April 2006. The reported fair values of this investment were £5,261,000 and £4,563,000 as at 31 March 2007 and 1 April 2006 respectively. The Group has not accounted for its investment in Stagebeach Ltd as a subsidiary in the period up to May 2007 as required by IAS 27, and has not been able to quantify the effect of this on the financial statements.

In view of the Group's failure, described above, to account for its investment in Stagebeach as a subsidiary, in our opinion the consolidated financial statements do not give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of Group's affairs at 31 March 2007 and 1 April 2006, nor of its losses for the years ended 31 March 2007 and 31 March 2008.

In all other material respects, in our opinion:

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, we have considered the adequacy of the disclosure made in Note 1 of the financial statements in regard to the Director's review of the anticipated income and expenditure of the Group until 30 September 2009, including the anticipated realisation of the Group's investment portfolio or a refinancing deal. In view of the uncertainty over the proceeds and timing of the realisation of the Group's investment portfolio or a refinancing deal, there is indication of the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Our audit opinion is not qualified in this respect.

Ernst & Young LLP

Registered auditor
London

25 September 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Income	3	<u>365</u>	<u>729</u>
Administrative expenses		<u>(1,682)</u>	<u>(1,316)</u>
Operating loss	4	(1,317)	(587)
Realised gains/(losses) on financial assets designated at fair value through profit or loss (net)	12	241	(597)
Unrealised losses on financial assets designated at fair value through profit or loss (net)	12	<u>(7,834)</u>	<u>(988)</u>
Net movement on investments		<u>(7,593)</u>	<u>(1,585)</u>
Loss on ordinary activities before finance costs and taxation		(8,910)	(2,172)
Finance costs	7	<u>(108)</u>	<u>(109)</u>
Loss from continuing operations before taxation		(9,018)	(2,281)
Taxation	8	<u>—</u>	<u>—</u>
Loss for the period from continuing operations		<u>(9,018)</u>	<u>(2,281)</u>
Basic and diluted loss per share	10	<u>(17.40)p</u>	<u>(4.40)p</u>

The accompanying notes on pages 27 to 54 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
Assets			
Non-current assets			
Plant and equipment	11	–	5
Financial assets designated at fair value through profit or loss	12	<u>5,557</u>	<u>14,674</u>
		5,557	14,679
Current assets			
Trade and other receivables	14	555	1,027
Cash and cash equivalents		<u>201</u>	<u>67</u>
		756	1,094
Liabilities			
Current liabilities			
Financial liabilities	15	(656)	(1,280)
Trade and other payables	16	<u>(546)</u>	<u>(364)</u>
		<u>(1,202)</u>	<u>(1,644)</u>
Net current liabilities		<u>(446)</u>	<u>(550)</u>
Total assets less current liabilities		<u>5,111</u>	<u>14,129</u>
Non-current liabilities			
Financial Liabilities	17	<u>(141)</u>	<u>(141)</u>
Net assets		<u>4,970</u>	<u>13,988</u>
Shareholders' equity			
Share capital	18	2,591	2,591
Share premium account		6,392	6,392
Special reserve		36,290	36,290
Warrant reserve		928	928
Retained earnings		<u>(41,231)</u>	<u>(32,213)</u>
Total Shareholders' equity		<u>4,970</u>	<u>13,988</u>
Net asset value per Ordinary share	19	<u>9.59p</u>	<u>27.00p</u>

The accompanying notes on pages 27 to 54 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 September 2008 and were signed on its behalf by:

Simon Hunt
Chairman

COMPANY BALANCE SHEET

As at 31 March 2008

	Notes	31 March 2008 £'000	31 March 2007 £'000
Assets			
Non-current assets			
Financial assets designated at fair value through profit or loss	12	39	46
Investments in subsidiaries	13	—	3,872
		<u>39</u>	<u>3,918</u>
Current assets			
Trade and other receivables	14	5,113	10,103
Cash and cash equivalents		—	2
		<u>5,113</u>	<u>10,105</u>
Liabilities			
Current liabilities			
Trade and other payables	16	(182)	(36)
Net current assets		<u>4,931</u>	<u>10,069</u>
Net assets		<u>4,970</u>	<u>13,987</u>
Shareholders' equity			
Share capital	18	2,591	2,591
Share premium account		6,392	6,392
Special reserve		36,290	36,290
Warrant reserve		928	928
Retained earnings		(41,231)	(32,214)
Total Shareholders' equity		<u>4,970</u>	<u>13,987</u>

The accompanying notes on pages 27 to 54 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 September 2008 and were signed on its behalf by:

Simon Hunt

Chairman

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 March 2008

	Share Capital £'000	Share premium account £'000	Special reserve* £'000	Warrant reserve £'000	Retained earnings £'000	Total equity £'000
Group						
Balance at 31 March 2006	2,591	6,392	36,290	928	(29,932)	16,269
Loss for the period	–	–	–	–	(2,281)	(2,281)
Balance at 31 March 2007	2,591	6,392	36,290	928	(32,213)	13,988
Loss for the period	–	–	–	–	(9,018)	(9,018)
Balance at 31 March 2008	2,591	6,392	36,290	928	(41,231)	4,970

	Share Capital £'000	Share premium account £'000	Special reserve* £'000	Warrant reserve £'000	Retained earnings £'000	Total equity £'000
Company						
Balance at 31 March 2006	2,591	6,392	36,290	928	(27,156)	19,045
Loss for the period	–	–	–	–	(5,058)	(5,058)
Balance at 31 March 2007	2,591	6,392	36,290	928	(32,214)	13,987
Loss for the period	–	–	–	–	(9,017)	(9,017)
Balance at 31 March 2008	2,591	6,392	36,290	928	(41,231)	4,970

The accompanying notes on pages 27 to 54 are an integral part of these financial statements.

* The special reserve is a distributable reserve.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

		Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Net cash outflow from operating activities	Notes 20	<u>(215)</u>	<u>(992)</u>
Cash flows from (used in) investing activities			
Bank balances disposed of with subsidiary		–	(45)
Proceeds from sale of subsidiary		11	26
Purchase of financial assets		(557)	(2,832)
Proceeds from sale of financial assets		<u>1,626</u>	<u>5,089</u>
Net cash from investing activities		<u>1,080</u>	<u>2,238</u>
Cash flows (used in) from financing activities			
Repayment of borrowings		(959)	(1,366)
Interest paid		(107)	(101)
Loan funds drawdown		<u>335</u>	<u>–</u>
Net cash used in financing activities		<u>(731)</u>	<u>(1,467)</u>
Net increase (decrease) in cash and cash equivalents		<u>134</u>	<u>(221)</u>
Cash and cash equivalents at beginning of the year		<u>67</u>	<u>288</u>
Cash and cash equivalents at the end of the year	21	<u>201</u>	<u>67</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

1. Principal Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. In arriving at their decision to prepare the financial statements on a going concern basis, the Directors have reviewed the anticipated income and expenditure of the Group until 30 September 2009 and compared this with the Group's expected cash resources. The directors believe that it remains appropriate to prepare these accounts on a going concern basis but that the ability of the Group to remain a going concern is ultimately dependent on the realisation of an illiquid portfolio of securities in extremely difficult market conditions, or a refinancing. Furthermore, there is considerable uncertainty over the timing and quantum of the proceeds from the realisation of the portfolio and over the ability of the Group to refinance itself. Until funds become available from such sources, the Group remains dependent on its short term financing arrangements, in particular its bank overdraft and the continuing agreement of YFM Venture Finance Limited and the Directors to delay payment of their fees. As such, the financial statements do not include any adjustments that might arise from the inability to realise an illiquid portfolio of securities or refinance itself, which would result in the Group ceasing to be a going concern. Such adjustments would include having to reduce the value of assets to their realisable amount, providing for any further liabilities which might arise, and reclassifying long-term liabilities as current.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets and liabilities which have been measured at fair value through profit or loss. The consolidated financial statements are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ending 31 March 2008.

Changes in accounting policy

These are the Group's first annual results prepared in accordance with IFRS. Previous financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) including the requirements of Schedule 4 of the Companies Act 1985. The Group is required to determine its IFRS accounting policies and apply them retrospectively to establish its opening balance sheet under IFRS. The effective date of transition for the Group is 1 April 2006.

In preparing these financial statements certain accounting and valuation methods previously applied under UK GAAP have been amended to comply with IFRS as follows:

As required by IFRS 1, 'First-time Adoption of International Financial Reporting Standards' reconciliations showing the effects of the changes are set out in note 31.

The Group has adopted IFRS 7 'Financial Instruments: Disclosures' and the amendments to IAS 1 'Presentation of Financial Statements' which are mandatory for this financial year.

New standards and interpretations not applied

The IASB has issued a revised version of IAS 1 'Presentation of Financial Statements'. The changes made require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The revised standard will come into effect for annual periods beginning on or after 1 January 2009 and has therefore not been adopted in these financial statements.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted in these financial statements. These include amendments to IFRS 2, IFRS 3, IFRS 8, IAS 23, IAS 27 and IAS 32 and the issue of IFRICs 12 to 14. These changes are not expected to have a material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies – continued

Judgements and key sources of estimation

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine the fair value of investments at fair value through the profit or loss.

The fair value of investments at fair value through the profit or loss is determined by using valuation techniques. As explained above, the Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions at each balance sheet date.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Strathdon Investments plc and its subsidiaries with the exception of Stagebeach Limited.

Under IAS 27, 'Consolidated and separate financial statements', control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting power by a number of means. The Group does not hold and throughout the year has not held more than 50% of the equity of any of the companies within the portfolio with the exception of the investment in Stagebeach Limited.

At 31 March 2007, Strathdon held a controlling interest in Stagebeach Limited. Under UK GAAP, due to its expected temporary nature, this was accounted for as a fixed asset investment held at fair value. However, under IFRS, no such exemption is available and the criteria for recognition as an asset held for sale have not been met. Consequently, there is a requirement to account for Stagebeach Limited in accordance with IAS 27 as a subsidiary.

The investment in Stagebeach Limited has not been so accounted for in the financial statements as the directors are of the opinion that it would not assist shareholders in their understanding of these financial statements, and that it would be inconsistent with the nature of the business of the Group, which is that of an investment company. Furthermore, the Group has lost control of Stagebeach and does not have access to the necessary information to enable Stagebeach Limited's financial results to be accounted for under IAS 27.

The Group does not control any other of the companies held as part of the investment portfolio through the exercise of voting rights or other means. It is not considered that any of the holdings represent investments in subsidiary undertakings.

Although the Group holds more than 20% of the equity of certain companies, the investments are held as part of the investment portfolio. Accordingly, as permitted by IAS 28, 'Investments in associates', and IAS 31, 'Financial reporting of interest in joint ventures', these have been accounted for as investments held at fair value through profit or loss in accordance with IAS 39 as described below.

Subsidiaries are consolidated from the date of acquisition when the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group has control.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using accounting policies applicable under International Financial Reporting Statements (IFRS). Where necessary appropriate adjustments are made to the subsidiary financial statements in preparing the consolidated financial statements.

All intra group balances and transactions, income and expenses and profit and losses from intra-group transactions are eliminated in full.

1. Principal Accounting Policies – continued

Foreign currency translation

The functional and presentation currency of Strathdon Investments plc and its subsidiaries is the pound sterling (£). There are no non-uk resident subsidiaries within the Group. Investments denominated in US dollars are reported, as with all investments, at fair value through profit or loss. The exchange rate used is that prevailing at the reporting period date.

Any exchange differences on investments held at fair value arising on currencies other than the presentation currency between reporting periods are reported through the income statement as part of the fair value gain or loss.

Transactions denominated in a foreign currency are translated into sterling at the rates of exchange ruling at the date of the transaction. Assets are translated into sterling at rates of exchange ruling at the reporting period date. Any differences are taken to the income statement in the period in which they arise.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, stated net of value added tax and is earned within the United Kingdom as follows:

- **Management fee income** represents fees for the provision of fund management services and is recognised in the income statement in line with applicable service contracts evenly over the period the service is provided.
- **Dividends** are brought into account when the Group's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield, provided there is no reasonable doubt that payment will be received in due course.
- **Other income** is recognised on an accruals basis.
- **Loan interest income** represents interest receivable on the Group's loan investments and is recognised on an accruals basis, provided there is no reasonable doubt that the payment will be received.

Expenses

Expenses are accounted for on an accruals basis.

Plant and equipment

Plant and equipment is stated at cost less any accumulated depreciation and any impairment in value. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is calculated to write off the cost of the asset over its estimated useful life to its residual value on the following basis:

- Fixtures and fittings – 33% reducing balance
- Computer equipment – 33% straight line basis

All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. If there is evidence of impairment then the asset is written down to its recoverable amount. Any depreciation or impairment is charged in the Income Statement as an expense.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies – continued

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the period of derecognition.

Impairment of assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the functions of the impaired asset.

Financial assets held at fair value through profit or loss

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date being the date the Group commits to purchase or sell the asset to the market. A financial asset is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Group. Information about these financial assets is provided internally on a fair value basis to the Group's key management. The Group's investment strategy is to invest cash resources in venture capital investments as part of the Group's long-term capital growth strategy. Consequently, all investments are classified as held at fair value through profit or loss.

Transaction costs on purchases are expensed immediately through the income statement in accordance with IFRS.

All investments are measured at fair value with gains and losses arising from changes in fair value being included in the income statement as gains (losses) on investments held at fair value. On sale, the realised gain or loss calculated by reference to the proceeds less carrying value is recognised in the income statement.

The fair value of quoted investments is determined by reference to market bid prices at the close of business on the balance sheet date.

Unquoted investments are valued in accordance with IAS 39 'Financial Instruments: Recognition and measurement' and where appropriate the International Private Equity and Venture Capital Valuation Guidelines issued in October 2006. A detailed explanation of the valuation policies of the Group is included on page 7.

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle an obligation.

Taxation

Tax on profit and loss for the year comprises current and deferred tax. Tax is recognised in the income statement except where it relates to an item recognised directly to equity in which case the related tax is also recognised directly to equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date and any adjustments in respect of prior years. Deferred tax is provided, using the balance sheet liability method.

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes with the following exceptions:

- i. Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- iii. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and the authority permits the Group to make a single net payment.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies – continued

Segmental Reporting

Business segments are considered to be the primary reporting segment. The directors are of the opinion that the Group has engaged in a single of business of investing in equity and debt securities and therefore no segmental reporting is provided.

Geographical segments are considered to be the secondary reporting segment. The majority of investment income and expenses is derived from one geographical segment being that of the United Kingdom. The proportion derived from outside the UK is not considered to be significant and consequently an analysis has not been provided. An analysis of investments and the remaining assets and liabilities of the Group by geographical segment has not been given, as the results are not considered to be significant.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black-Scholes pricing model. In valuing equity settled transactions, no account is taken of any vesting conditions other than the conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and the management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity investments that will ultimately vest in or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

2. Parent Company Income statement

Strathdon Investments plc has taken advantage of the exemption under CA85 Section 230 not to publish a parent company only income statement.

The amount of loss dealt with in the accounts of the parent company for the year ended 31 March 2008 is £9,017,000 (year ended 31 March 2007: £5,058,000).

3. Income

	2008	2007
	£'000	£'000
Income from investments:		
Dividends from unquoted companies	<u>22</u>	<u>133</u>
Interest on loans to unquoted companies	<u>330</u>	<u>467</u>
Income from investments held at fair value through profit or loss		
Other income	9	–
Other interest	–	116
Interest on deposits	<u>4</u>	<u>13</u>
	<u>365</u>	<u>729</u>

4. Operating Loss

This is stated after charging:

	2008	2007
	£'000	£'000
Fund management fee	140	–
Administration fee	<u>31</u>	<u>–</u>
Other expenses:		
Directors' remuneration	105	281
Auditors' remuneration:		
audit fees	40	27
non audit services	8	15
Depreciation of owned fixed assets	5	7
Credit losses	912	–
Operating lease rentals (see note 29)	20	29
Staff Costs (see note 6)	<u>232</u>	<u>818</u>

Credit losses have been recognised on loan interest and management fees provided against and written off in the year, primarily relating to balances due from Stagebeach and Capital Consulting Limited.

YFM Venture Finance Limited provides fund management services to the Group under an agreement dated 9 August 2007. The agreement is for an initial 24 months and thereafter may be terminated by not less than 6 months' notice given by either party at any time.

The key features of the agreement are:

- YFM Venture Finance Limited receives a fund management fee, payable monthly in advance, at the rate of 2% of net assets, calculated at quarterly intervals as at 31 December, 31 March, 30 June and 30 September, or £18,750 per month, whichever is higher.
- Under this same agreement YFM Venture Finance Limited also provides administrative and secretarial services to the Group for a fee based on £50,000 (at 9 August 2007) per annum plus annual adjustments to reflect movements in the Retail Prices Index.
- Interest accrues daily at a rate of 4% above base rate on any overdue fees.

The total remuneration payable to YFM Venture Finance Limited in the year was £171,000 (2007: £nil). At 31 March 2008 a total of £185,000 (including VAT) was due to YFM Venture Finance Limited (2007: £nil).

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Directors' remuneration

The details of directors' remuneration are set out in the Directors' Remuneration Report on pages 18 and 19.

6. Staff costs

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Wages and salaries	198	590
Social security costs	13	77
Compensation for loss of office	21	151
	<u>232</u>	<u>818</u>

Staff costs include the emoluments of MRD Roller and HJP Stewart (prior year comparatives only) detailed in the Directors' Remuneration Report on pages 18 and 19.

	No.	No.
Average monthly number of employees	<u>2</u>	<u>8</u>

Following the closure of the Winchester office the Group has no employees other than its non executive directors.

7. Finance costs

	2008 £'000	2007 £'000
Bank interest on loans and overdraft	<u>108</u>	<u>109</u>

8. Tax on loss on ordinary activities

The tax charge is made up as follows:

	2008 £'000	2007 £'000
Current tax:		
UK Corporation tax	—	—
Tax overpaid in previous years	<u>—</u>	<u>—</u>
Total current tax	<u>—</u>	<u>—</u>
Deferred tax:		
Origination and reversal of timing differences	<u>—</u>	<u>—</u>
Group deferred tax	<u>—</u>	<u>—</u>
Tax on loss on ordinary activities	<u>—</u>	<u>—</u>

8. Tax on loss on ordinary activities – continued

	2008 £'000	2007 £'000
Factors affecting current tax charge		
Loss on ordinary activities before taxation	(9,018)	(2,281)
Loss on ordinary activities multiplied by standard rate of corporation tax in UK of 30% (2007: 30%)	(2,705)	(684)
Effect of:		
UK dividends not taxable	(5)	(59)
Depreciation in excess of capital allowances	1	2
Fixed asset valuation adjustments	(174)	263
Unrealised losses on fixed asset investment held at fair value through profit or loss	2,350	269
Unrelieved losses	533	209
Tax on loss on ordinary activities	–	–

Factors that may affect future tax charges

A potential deferred tax asset of £7,884,000 (2007: £7,695,000) in respect of capital and other losses has not been recognised as it is not anticipated that these losses will be fully utilised in the foreseeable future. From 1 April 2008 the standard rate of corporation tax in the UK was reduced to 28%.

9. Dividends

No dividends are proposed in respect of the year ended 31 March 2008 (year ended 31 March 2007: nil).

10. Loss per share

The loss per share is based on net loss from ordinary activities after tax of £9,018,000 (2007: £2,281,000) and on 51,817,057 (2007: 51,817,057) shares, being the weighted average number of shares in issue during the year.

The share options within the Employee Share Option Scheme and the warrants exercisable at 36p per share are considered to be non-dilutive potential ordinary shares. The Company has no other securities that would have a dilutive effect in either period and hence the basic and diluted loss per share are the same.

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Plant & equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Group</i>			
<i>Cost and valuation:</i>			
At 1 April 2007	4	8	12
Disposals	(4)	(8)	(12)
At 31 March 2008	—	—	—
<i>Depreciation:</i>			
At 1 April 2007	2	5	7
Provided during the period	2	3	5
Disposals	(4)	(8)	(12)
At 31 March 2008	—	—	—
Net book value			
At 31 March 2008	—	—	—
At 31 March 2007	2	3	5

The Company had no plant & equipment at any time during the year (2007: nil).

12. Financial assets designated at fair value through profit or loss

All items held as fair value through profit or loss were designated as such upon initial recognition. Movements in investment at fair value through profit or loss during the year to 31 March 2008 are summarised as follows:

Group	Unquoted Equity Investments £000s	Unquoted Loan Investments £000s	Quoted Equity Investments £000s	Total Investments £000s
Opening cost	11,669	6,782	—	18,451
Opening unrealised gain/(loss)	(2,364)	(1,413)	—	(3,777)
Opening valuation	9,305	5,369	—	14,674
	0			
Additions at cost	446	515	—	961
Disposal proceeds	(1,750)	(735)	—	(2,485)
Net profit/(loss) realised on disposal	241	—	—	241
Changes in fair value in the year	(4,863)	(2,971)	—	(7,834)
	3,379	2,178	—	5,557
Closing cost	10,979	5,664	—	16,643
Closing unrealised gain/(loss)	(7,600)	(3,486)	—	(11,086)
Closing valuation	3,379	2,178	—	5,557

12. Financial assets designated at fair value through profit or loss – continued

Movements in investment at fair value through profit or loss during the year to 31 March 2007 are summarised as follows:

Group	Unquoted Equity Investments £'000	Unquoted Loan Investments £'000	Quoted Equity Investments £'000	Total Investments £'000
Opening cost	12,415	6,046	2,825	21,286
Opening unrealised gain/(loss)	<u>(1,567)</u>	<u>(1,590)</u>	<u>368</u>	<u>(2,789)</u>
Opening valuation	10,848	4,456	3,193	18,497
Additions at cost	692	2,140	–	2,832
Disposal proceeds	(980)	(1,121)	(2,969)	(5,070)
Net profit/(loss) realised on disposal	(902)	161	144	(597)
Changes in fair value in the year	<u>(353)</u>	<u>(267)</u>	<u>(368)</u>	<u>(988)</u>
	<u>9,305</u>	<u>5,369</u>	<u>–</u>	<u>14,674</u>
Closing cost	11,669	6,782	–	18,451
Closing unrealised gain/(loss)	<u>(2,364)</u>	<u>(1,413)</u>	<u>–</u>	<u>(3,777)</u>
Closing valuation	<u>9,305</u>	<u>5,369</u>	<u>–</u>	<u>14,674</u>

The total of fair value adjustments below cost made against unquoted investments at 31 March 2008 amounted to £7,882,000 (2007: £1,366,000). This includes the full write-off of Stagebeach (£5,692,000) and Capital Consulting (£1,067,000) in January 2008 and other provisions of £1,123,000.

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Financial assets designated at fair value through profit or loss – continued

Movements in investment at fair value through profit or loss during the year to 31 March 2007 and 2008 for the parent Company are summarised as follows:

Company	2008			2007		
	Unquoted	Quoted	Total	Unquoted	Quoted	Total
	Equity	Equity	Investments	Equity	Equity	Investments
	Investments	Investments	2008	Investments	Investments	2007
	£'000	£'000	£'000	£'000	£'000	£'000
Opening cost	1,214	–	1,214	2,877	2,825	5,702
Opening unrealised gain/(loss)	(1,168)	–	(1,168)	(1,884)	368	(1,516)
Opening valuation	46	–	46	993	3,193	4,186
Additions at cost	–	–	–	162	–	162
Disposal proceeds	–	–	–	(1,057)	(2,969)	(4,026)
Net profit/(loss) realised on disposal	–	–	–	(768)	144	(624)
Changes in fair value in the year	(7)	–	(7)	716	(368)	348
	<u>39</u>	<u>–</u>	<u>39</u>	<u>46</u>	<u>–</u>	<u>46</u>
Closing cost	1,214	–	1,214	1,214	–	1,214
Closing unrealised gain/(loss)	(1,175)	–	(1,175)	(1,168)	–	(1,168)
Closing valuation	<u>39</u>	<u>–</u>	<u>39</u>	<u>46</u>	<u>–</u>	<u>46</u>

12. Financial assets designated at fair value through profit or loss – continued

Significant interests

At 31 March 2008 the Group held a significant holding of at least 20% of the issued ordinary share capital in the following companies:

Company	% held	Accounts made up to	Capital and Reserves £'000	Profit (loss) after tax £'000	Registered office
AMG	21.9%	31 Dec 07	2,211	1,189	Brigham House, Biggleswade, Bedfordshire SG18 0LD
		31 Dec 06	1,643	1,428	
Business HR Solutions	49.9%	31 Aug 07	(265)	(62)	210-212 Chapeltown Road Leeds LS7 4HZ
		31 Aug 06	(203)	(242)	
Eptex	24.7%	30 Apr 07	–	–	2 Bennett Close, Welwyn Garden City, Hertfordshire AL7 4JA
		30 Apr 06	–	–	
Stagebeach	48.2%	31 Dec 06	1,231	(284)	Fleet Mill, Minley Road, Fleet Hampshire GU51 2RD
		31 Dec 05	726	(3,540)	
In touch with Health	26.7%	31 Mar 07	(1,101)	(44)	Preston Mill Barn, Siddington Cirencester GL7 6E
		31 Mar 06	(1,058)	(118)	
Intracite	40.4%	31 Oct 07	(29)	35	35 Station Approach, West Byfleet, Surrey KT14 6NF
		31 Oct 06	(7)	5	
Meta Vision Systems	49.7%	31 Dec 06	(1,399)	(541)	Unit 3 Oakfield Industrial Est, Harcourt Road, Eynsham OX29 4TH
		31 Dec 05	(862)	82	
Stratexec	33.3%	30 Jun 07	(203)	7	The Mill House, Iden Rye, East Sussex TN31 7PT
		30 Jun 06	(210)	22	

The results above represent the full Capital and Reserves and profit (loss) after tax for each of the investee companies listed.

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Financial assets designated at fair value through profit or loss – continued

In addition, the proportion of each class of share held by the Group is as follows:

Company	Principal activity	No of shares	Class of shares held	Percentage of class held by the company
AMG Systems Ltd	Fibre-optic CCTV transmission systems	616,702	A Ord	73.1%
Business HR Solutions Ltd	Outsourced HR	2,048,757	A Ord	100.0%
Business HR Solutions Ltd	Outsourced HR	1,497,899	Ord	29.6%
Challenge & Response Ltd	Dormant	32,166	A Ord	35.8%
Eptex	Dormant	244,588	A Ord	100.0%
Eptex	Dormant	67,800	B Ord	100.0%
Eptex	Dormant	26,612	Deferred	37.3%
Stagebeach	Dormant	977,469	A Ord	48.6%
Stagebeach	Dormant	301,149	B Ord	47.0%
Stagebeach	Dormant	1,409,294	A Pref	88.1%
Stagebeach	Dormant	1,938,760	B Pref	88.1%
In Touch with Health	Healthcare information	15,327	A Ord	96.0%
In Touch with Health	Healthcare information	309,857	Pref	66.0%
Intracite	IT Services	1,578,360	A Ord	100.0%
Meta Vision Systems	Machine vision systems	2,858,915	Ord	43.6%
Meta Vision Systems	Machine vision systems	1,120,948	A Ord	77.3%
Meta Vision Systems	Machine vision systems	902,626	Deferred	96.8%
Meta Vision Systems	Machine vision systems	348,481	B Pref	100.0%
Stratexec	Dormant	60,000	Preferred	33.3%

13. Investments in subsidiaries

Strathdon Investments plc holds 100% of the issued ordinary share capital of Strathdon Holdings Limited. Strathdon Holdings in turn holds the entire issued share capital of Strathdon Management Limited. The results of these subsidiaries have been consolidated into the Group results of Strathdon Investments plc.

The financial statements include the results of a subsidiary, Strathdon Finance Limited for the period to disposal on 22 December 2006, the date of its sale outside the group. The disposal does not warrant disclosure as a discontinued operation under IFRS 5 on materiality grounds.

The Company's investment in the shares of its subsidiary companies (excluding Stagebeach Limited - see note 22) are set out below:

	2008 £'000	2007 £'000
Shares in subsidiary companies	8,238	8,238
Provision against investment in Strathdon Holdings Limited	(8,238)	(4,366)
	<u>–</u>	<u>3,872</u>

14. Trade and other receivables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts receivable within one year:				
Amounts owed by group companies	–	–	5,093	10,077
Prepayments and accrued income	82	38	7	26
Other receivables	473	989	13	–
	<u>555</u>	<u>1,027</u>	<u>5,113</u>	<u>10,103</u>

Trade receivables are assessed for impairment when older than 60 days. As of 31 March 2008 there were £37,000 of trade receivables older than 60 days but not provided against (2007: £nil).

As of 31 March 2008, trade receivables of £1,120,000 (2007: £303,000) were impaired and provided for. The carrying amounts of the group's trade and other receivables are denominated in sterling. The group's maximum exposure to credit risk at the reporting date in respect of trade and other receivables is £555,000. The group does not hold any collateral as security.

Movements in the Group's provision for impairment of receivables were as follows:

	2008 £'000	2007 £'000
At 1 April	303	98
Charge for the year	<u>817</u>	<u>205</u>
At 31 March	<u>1,120</u>	<u>303</u>

The parent company had no provision for impairment of receivables in either year.

The credit quality of trade and other receivables reflects that of the investment portfolio, ie. non-investment grade. Credit risk in relation to the Group's banking arrangements is considered in note 27b.

15. Financial liabilities

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts payable within one year:				
Bank loan	<u>656</u>	<u>1,280</u>	<u>–</u>	<u>–</u>

At 31 March 2008 the Group's bank loan attracted interest at 3.25% over LIBOR and was secured by a floating charge over the Group's investments. Following the year-end the loan has been restructured and now takes the form of an overdraft facility.

NOTES TO THE FINANCIAL STATEMENTS

continued

16. Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts payable within one year:				
Trade creditors	198	41	50	2
Other taxation and social security	10	16	4	2
Other creditors	193	58	85	–
Accruals & deferred income	145	249	43	32
	<u>546</u>	<u>364</u>	<u>182</u>	<u>36</u>

17. Financial liabilities

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts payable within more than one year:				
Other loans	141	141	–	–

At 31 March 2008 other loans attracted interest at 8.0% and were not secured on the assets of the Group. The loan is repayable on or before 31 December 2010.

18. Called-up share capital

	2008		2007	
	Authorised £'000	Allotted, called-up and fully paid £'000	Authorised £'000	Allotted, called-up and fully paid £'000
Ordinary Shares of 5p				
Authorised: 320,000,000 (2007: 320,000,000)	16,000		16,000	
Issued: 51,817,057 (2007: 51,817,057)		<u>2,591</u>		<u>2,591</u>

19. Net asset value per share

The net asset value per share is calculated on attributable assets of £4,970,000 (2007: £13,988,000) and 51,817,057 (2007: 51,817,057) shares in issue at the year end.

The share options within the Employee Share Option Scheme and the warrants exercisable at 36p per share are considered to be non-dilutive potential ordinary shares. The Company has no other securities that would have a dilutive effect in either period and hence the basic and diluted net asset value per share are the same.

20. Reconciliation of Loss on Ordinary Activities before taxation to Net cash Outflow from Operating Activities

	2008 £'000	2007 £'000
Loss on ordinary activities before tax	(9,018)	(2,281)
Depreciation	5	7
Loss on disposal of plant & equipment	–	1
(Profit) loss on realisation of investments in the year	(241)	597
Revaluation of investments in the year	7,834	988
Finance Costs	108	109
Decrease (increase) in receivables	866	(241)
Increase (decrease) in payables	231	(172)
Net cash outflow from operating activities	(215)	(992)

Cash movements above include the following:

	2008 £'000	2007 £'000
Dividends received	22	225
Interest received		
– Loan interest	69	36
– deposit interest	4	4
Total interest	95	265

21. Analysis of changes in Cash & Cash Equivalents

	31 March 2007 £'000	Cash inflow £'000	Other non-cash changes £'000	31 March 2008 £'000
Cash and equivalents	67	134	–	201

22. Non-consolidated subsidiary

The Group controlled 84% of the equity share capital and voting rights of Stagebeach Limited during the year. Stagebeach Limited has not been consolidated on the basis that the Group's control of it has always been intended to be temporary and, following a capital restructuring of Stagebeach Limited in May 2007, the Group ceased to control Stagebeach Limited. At all times operational control rested with the Stagebeach management.

The results of Stagebeach have not been consolidated as the directors feel that it would not assist shareholders in their understanding of these financial statements and would also be inconsistent with the nature of the business of Strathdon, which is that of an investment company. This treatment was previously permissible under UK GAAP. The investment in Stagebeach Limited has been accounted for as a financial asset at Fair Value through profit or loss as consistent with other investments in the portfolio. The investment has been fully written down in the year.

NOTES TO THE FINANCIAL STATEMENTS

continued

22. Non-consolidated subsidiary – continued

Stagebeach came under the control of the group on 7 October 2005 and since that date has produced two sets of financial statements, which are for the periods ended 31 December 2006 and 2005. These show capital and reserves of £1,230,566 at 31 December 2006 (2005: £726,172) and a loss before taxation of £284,204 (2005: £353,829).

Stagebeach Limited is a holding company for GBS Corporate Training Limited and for Atrium Group Limited. The principle business of GBS Corporate Training Limited is the provision of software to enable the distribution of video signals across corporate networks.

The Group provided finance to Stagebeach Limited to enable it to fund acquisitions and to provide it with working capital.

23. Financial commitments

At 31 March 2008 there were contingent liabilities in respect of uncalled investment commitments totalling £40,000 representing an approved £150,000 investment into Meta of which only £110,000 had been invested (2007: £nil).

The Group has guaranteed the payment of £1 million deferred consideration due to the vendors of GBS Corporate Training plc. At 31 March 2008, the amount of deferred consideration outstanding under this guarantee was nil (2007: £200,000).

24. Related Party Transactions

On 25 May 2007 the group sold half of its shareholding in Episys Group Limited to Shackleton Secondaries Limited Partnership ("SSLP") for net asset value of £457,000. On 4 February 2008 the Group sold its holding in Nanosight Ltd to SSLP for £272,000 and a deferred consideration of £68,000. As part of the same transaction the Group granted SSLP a 5 year option to acquire the balance of its shareholding in Episys Group Limited at net asset value. HJP Stewart, previously the Group's Chief Executive, has an interest in SSLP.

The emoluments of S D Hunt, from 2 July 2008 Chairman of the Company, are paid via Cornerstone Capital Limited, a company controlled by him.

D Hudson, an employee of YFM (the Group's Fund Manager) is a director of Strathdon Holdings Limited and Strathdon Management Limited, subsidiaries of Strathdon Investments plc. None of Mr Hudson's remuneration from YFM related to his role as a director.

25. Directors and Key Management Compensation

Aggregate compensation for key management, being the directors and members of the Group Executive Committee, was as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Short Term Employee benefits	84	216	75	80
Termination Benefits	21	65	–	–
	<u>105</u>	<u>281</u>	<u>75</u>	<u>80</u>

26. Events after the balance sheet date

Since the year end, the Group has continued to reduce its bank borrowings which at the date of this report stood at £300,000. There have been no other significant events, including investments or realisations since the balance sheet date.

27. Financial Instruments

The Group has no derivative financial instruments and has no financial asset or liability for which hedge accounting has been used in either year. The Group classifies its financial instruments as either fair value through profit or loss or loans and receivables.

The investments are valued in accordance with the policy stated on page 7. It is the directors' opinion that the carrying value of trade receivables and trade payables approximates their fair value due to their short term maturity. Therefore, the directors consider all assets to be carried at a valuation which equates to fair value.

Investments are made in a combination of equity and fixed rate financial instruments so as to provide potential high future capital growth.

In accordance with IAS 39, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain criteria set out in the standard. No embedded derivatives have been identified by the Group.

The accounting policies for financial instruments have been applied to the items below:

Assests as per balance sheet	2008 Assets at fair		2007 Assets at fair	
	Loans and receivables £'000	value through profit and loss £'000	Loans and receivables £'000	value through profit and loss £'000
Cash	201	–	67	–
Trade and other receivables	555	–	1,027	–
Investments at fair value through profit or loss	–	5,557	–	14,674
Total Financial Instruments	756	5,557	1,094	14,674
Liabilities as per balance sheet			2008 Other financial liabilities £000	2007 Other financial liabilities £000
Financial Liabilities			(656)	(1,280)
Loans			(141)	(141)
Total Financial Instruments			(797)	(1,421)
Trade and other payables			(546)	(364)
			(1,343)	(1,785)

Assets classified as fair value through profit or loss were designated as such upon initial recognition. The Group has not reclassified financial assets between any of the categories detailed in IAS39, either in current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS

continued

27. Financial Instruments – continued

At 31 March 2008 and 31 March 2007, the financial assets, by value, comprised:

Group

	2008		2007	
	£000	% of Net Assets	£000	% of Net Assets
Investment held at fair value				
Ordinary shares	2,881	58.0%	6,657	47.6%
Loan stock	2,178	43.8%	5,292	37.8%
Preferred Ordinary Shares	498	10.0%	2,725	19.5%
	<u>5,557</u>	<u>111.8%</u>	<u>14,674</u>	<u>104.9%</u>
Cash and cash equivalents	201	4.0%	67	0.5%
Financial Liabilities	(656)	(13.2%)	(1,280)	(9.2%)
Loans	(141)	(2.8%)	(141)	(1.0%)
Other financial assets	555	11.2%	1,027	7.3%
Other financial liabilities	(546)	(11.0%)	(364)	(2.5%)
Non-financial instruments	–	–	5	0.0%
	<u>4,970</u>	<u>100.0%</u>	<u>13,988</u>	<u>100.0%</u>

Company

	2008		2007	
	£000	%	£000	%
Investment held at fair value				
Ordinary shares	5,132	103.3%	3,918	28.0%
Loan stock	–	–	–	–
Preferred Ordinary Shares	–	–	–	–
	<u>5,132</u>	<u>103.3%</u>	<u>3,918</u>	<u>28.0%</u>
Cash and cash equivalents	–	–	2	0.0%
Other financial assets	20	0.4%	10,103	72.2%
Other financial liabilities	(182)	(3.7%)	(36)	(0.2%)
	<u>4,970</u>	<u>100.0%</u>	<u>13,987</u>	<u>100.0%</u>

The Group's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Group is exposed are market risk, credit risk and liquidity risk. The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Group are discussed below.

27a Market Risk

The Group invests in new and expanding businesses, the shares of which may not be traded on the stock market. Consequently, exposure to market factors, in relation to many investments, stems from market based measures that may be used to value unlisted investments.

The market also defines the value at which investments may be realised. Returns are therefore maximised when investments are bought or sold at appropriate times in the economic cycle.

27a Market Risk – continued*Equity Price Risk*

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Group's investment objectives. It represents the potential loss that the Group might suffer through holding market positions in the face of market movements.

The Group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board. None of the Groups equity investments are traded on AIM.

100% of the Group's equity investments are in unquoted companies held at fair value. The valuation methodology for these investments includes the application of externally produced indices, normally the Private Company Price Index. This is based on the Price/Earnings ratios of private companies that have recently been sold. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed exchanges which may be factored into the sale prices of other businesses. A 5% increase in the valuations of unquoted investments at 31 March 2008 would have increased the net assets attributable to the Group's shareholders and reduced the total loss for the year by £278,000 (2007: £730,000). An equal change in the opposite direction would have decreased the net assets attributable to the Group's shareholders and increased the total loss for the year by an equal amount.

Interest rate Risk

The Group's investments include £2,178,000 (2007: £5,369,000) of loan stock in unquoted companies. An element of the loan stock is at fixed rates to guard against fluctuations in interest rates. The Group has some exposure to interest rates as a result of interest earned on bank deposits, interest earned on loan stock that is at floating rates and interest payable on the bank facility.

At 31 March 2008 the group had an outstanding loan facility of £656,000 (2007: £1,280,000). At year end, interest on this loan was charged at one month LIBOR plus 3.25% per annum. If interest rates increased by 1% at 31 March 2008 this would result in an additional £7,000 (2007: £13,000) of interest being paid per annum. An equal change in the opposite direction would reduce the total loss for the year by an equal amount. Following the year end, the loan has been restructured as an overdraft facility.

At 31 March 2008 the Group has £1,171,000 (2007: £2,216,000) of variable rate loan stock in unquoted companies. This is charged at a rate above the Bank of England base rate. The loan interest receivable on these variable rate loan stocks has been fully provided for in the year. Therefore any change in interest rates would not impact on the loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

continued

27a Market Risk – continued

Other financial assets, being prepayments and accrued income and other financial liabilities, being accrued expenses, attract no interest and have an expected maturity date of less than 1 year.

	2008		2007	
	Weighted average interest rate	Weighted average time for which rate is fixed Months	Weighted average interest rate	Weighted average time for which rate is fixed Months
Fixed Rate Loan Stock	11.84%	13	20.00%	4

27b Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The Fund Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

Credit risk on unquoted loan stock held within unlisted investments is considered to be part of market risk as disclosed above.

The fair value of trade receivables has been reduced by £817,000 (2007: £205,000) provision against trade receivables in the year due to changes in credit risk. Loans have been reduced in value by £2,971,000 (2007: £267,000) due to increased credit risk.

Substantially all of the cash held by the Group is held by a single bank. Bankruptcy or insolvency of this bank may cause the Group's rights with respect to the cash held by the bank to be delayed or limited. The Group banks with a large reputable bank. Should the credit quality or the financial position of the bank deteriorate significantly the Fund Manager will move the cash holdings to another bank.

The largest single concentration of credit risk relates to the Group's investment in Meta Ltd which constitutes 38.2% (2007: 12.3%) of the net assets attributable to the Group's shareholders. The average investment, excluding those suffering full impairment, is 8.0% (2007: 5.5%) of the value of net assets.

The maturity dates of the loan stock portfolio are as follows:

	2008 £000			2007 £000		
	< 1 Year	1 – 2 Years	> 2 Years	< 1 Year	1 – 2 Years	> 2 Years
Unquoted Loan Investments	1,464	187	527	2,303	–	2,988

27c Liquidity Risk

The Group invests in financial assets to provide capital growth for Shareholders that can eventually be distributed by way of dividends. Unquoted venture capital investments normally take a number of years to mature and are, by their nature, illiquid. Therefore, realised capital gains on these investments are a medium-to-long term aim. As a result, the Group may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Group's principal source of short term liquidity is from its bank facility. The Group continues to monitor its liquidity position through detailed cash forecasting. More medium term liquidity is available from realisations of unquoted assets.

27c Liquidity Risk – continued*Fair Value Methods and Assumptions*

Detailed valuation policies in respect of the investment portfolio are set out on page 7. Where investments are in quoted stocks, fair value is set at market price. Non-quoted investments are valued in line with IPEVC valuation guidelines. The primary methods used, and the key assumptions relating to them, are:

Price of recent investment – The cost of the investment is taken as a reasonable assessment of fair value for period of up to one year. During this period performance against budget is monitored for evidence of impairment. Valuations may be re-based following substantial investment by a third party when this offers evidence that there has been a change to fair value.

Earnings multiple – Market indices or comparators based on European private company transactions in 2007 are used as a market-based indication of the potential earnings of an investment company. A discount is applied by the fund manager based on the perceived market interest in that company or sector and on any benefit that may be observed by holding a significant shareholding or superior rights.

Revenue multiple – Market indices or comparators based on European private company transactions in 2007 are used as a market-based indication of the potential value of holdings in companies that have not yet reached profitability.

Discounted cash flows of the investment – The present value of the investment is derived by using reasonable assumptions and estimations of expected future cash flows and the terminal value, and discounting by applying the appropriate risk-adjusted rate that quantifies the risk inherent in the company.

Although permitted by the IPEVC, other valuation methods have not been used in the year.

28. Capital Management

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- to ensure sufficient liquid resources are available to meet the funding requirements of its investments and to fund new investments where identified.

The Group had £0.8m of external debt at 31 March 2008, the remaining capital is represented by the value of share capital, distributable and other reserves. Total shareholder equity at 31 March 2008 was £4.97 million.

In order to maintain or adjust its capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

There have been no changes in capital management objectives or the capital structure of the business from the previous period. The Group is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

continued

29. Obligations under leases and hire purchase contracts

Operating lease agreements where the Group is lessee

Prior to the Group appointing YFM as fund manager the Group entered into commercial leases on certain properties and items of office equipment. The average life of these leases was 13 years. Following the appointment of YFM, operating leases on office equipment were cancelled in June 2007 and the property lease was assigned in September 2007.

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense in the year	20	29

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 £'000	2007 £'000
Within one year	–	43
After one year but not more than five years	–	148
	–	191

30. Share Based Payments

Grants of options were made in 2004 and 2005 to the Group's then executives and employees. All options were subject to the same vesting criteria, whereby options vest proportionally to compound growth in net asset value per share for the five year period ending in November 2009, as set out in the table below:

Annual growth in fully diluted NAV	5 year compound growth in fully diluted NAV	Percentage of options vesting
8%	46.9%	10.0%
9%	53.9%	20.0%
10%	61.1%	27.5%
11%	68.5%	35.0%
12%	76.2%	42.5%
13%	84.2%	47.5%
14%	92.5%	52.5%
15%	101.1%	57.5%
16%	110.0%	65.0%
17%	119.2%	72.5%
18%	128.8%	80.0%
19%	138.6%	90.0%
20%	148.8%	100.0%

30. Share Based Payments (continued)

The contractual life of each option grant is 10 years. There are no cash settlement alternatives.

No options were granted during the year (2007: nil). No options are presently eligible for exercise.

Share options have been granted as follows:

	As at 1 April 2006	Granted in year ended 31 March 2007	Forfeited in year ended 31 March 2007	As at 1 April 2007	Granted in year ended 31 March 2008	Forfeited in year ended 31 March 2008	Options outstanding 31 March 2008
Number of options	5,810,685	–	(2,953,915)	2,856,770	–	–	2,856,770
Weighted Average							
Exercise price (pence)	37.8	–	37.8	37.8	–	–	37.8

31. Reconciliation of Net Assets and Profit under UK GAAP to IFRS

The Group reported under UK GAAP in its previously published financial statements for the year ended 31 March 2007. The analysis below shows a reconciliation of net assets, profit and cash flows as reported under UK GAAP as at 31 March 2007 and for the year then ended to the revised net assets, profit and cash flow under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the date of transition date for the Group, being 1 April 2006

NOTES TO THE FINANCIAL STATEMENTS

continued

(a) Reconciliation of Equity at 1 April 2006 (date of transition to IFRS)

UK GAAP	Previously reported UK GAAP £000	Effect of transition to IFRS £000	Restated IFRS £000	IFRS
Assets				Assets
Fixed Assets				Non-current assets
Tangible fixed assets	13	–	13	Plant and Equipment
Investments	18,497		18,497	Financial assets designated at fair value through profit or loss
	<u>18,510</u>	–	<u>18,510</u>	
Current assets				Current assets
Debtors	786		786	Trade and other receivables
Cash at bank	288		288	Cash and cash equivalents
	<u>1,074</u>	–	<u>1,074</u>	
Creditors				Liabilities
Current liabilities				Current liabilities
Amounts falling due within one year	(669)	48	(621)	Trade and other payables
Net current assets	<u>405</u>	<u>48</u>	<u>453</u>	Net current assets
Total assets less current liabilities	<u>18,915</u>	<u>48</u>	<u>18,963</u>	Total assets less current liabilities
Non-current liabilities				Non-current liabilities
Amounts Falling due after more than one year	(2,646)	(48)	(2,694)	Loans
Net assets	<u>16,269</u>	<u>–</u>	<u>16,269</u>	Net assets
Shareholders' equity				Shareholders' equity
Share capital	2,591		2,591	Share capital
Share premium	6,392		6,392	Share premium
Special reserve	36,290		36,290	Special reserve
Revaluation reserve	2,633	(2,633)	–	Revaluation reserve
Warrant reserve	928		928	Warrant reserve
Retained earnings	(32,565)	2,633	(29,932)	Retained earnings
Total shareholders' equity	<u>16,269</u>	<u>–</u>	<u>16,269</u>	Total shareholders' equity
Net asset value per Ordinary share	<u>31.40p</u>	<u>–</u>	<u>31.40p</u>	Net asset value per Ordinary share

(b) Reconciliation of Equity as at 31 March 2007

UK GAAP	Previously reported UK GAAP £000	Effect of transition to IFRS £000	Restated IFRS £000	IFRS
Assets				Assets
Fixed Assets				Non-current assets
Tangible fixed assets	5		5	Plant and Equipment
Investments	14,674		14,674	Financial assets designated at fair value through profit or loss
	<u>14,679</u>		<u>14,679</u>	
Current assets				Current assets
Debtors	1,027		1,027	Trade and other receivables
Cash at bank	67		67	Cash and cash equivalents
	<u>1,094</u>		<u>1,094</u>	
Creditors				Liabilities
Current liabilities				Current liabilities
Amounts falling due within one year	(1,644)	(1,280)	(364)	Financial liabilities
	<u>(550)</u>		<u>(550)</u>	Trade and other payables
Net current assets				Net current liabilities
Total assets less current liabilities	<u>14,129</u>		<u>14,129</u>	Total assets less current liabilities
Non-current liabilities				Non-current liabilities
Amounts Falling due after more than one year	(141)		(141)	Loans
Net assets	<u>13,988</u>		<u>13,988</u>	Net assets
Shareholders' equity				Shareholders' equity
Share capital	2,591		2,591	Share capital
Share premium	6,392		6,392	Share premium
Special reserve	36,290		36,290	Special reserve
Revaluation reserve	1,973	(1,973)	-	Revaluation reserve
Warrant reserve	928		928	Warrant reserve
Retained earnings	(34,186)	1,973	(32,213)	Retained earnings
Total shareholders' equity	<u>13,988</u>		<u>13,988</u>	Total shareholders' equity
Net asset value per Ordinary share	<u>27.00p</u>	<u>-</u>	<u>27.00p</u>	Net asset value per Ordinary share

NOTES TO THE FINANCIAL STATEMENTS

continued

(c) Reconciliation of Income Statement for the year ended 31 March 2007

UK GAAP	Previously reported UK GAAP £000	Effect of transition to IFRS £000	Restated IFRS £000	IFRS
Turnover	600	129	729	Revenue
Administrative expenses:	(1,316)	–	(1,316)	Administrative expenses:
Operating loss	(716)	129	(587)	Operating loss
Loss on disposal of fixed asset investments	(965)	368	(597)	Realised losses on financial assets designated at fair value through profit or loss (net)
		(988)	(988)	Unrealised losses on financial assets designated at fair value through profit or loss (net)
Loss on ordinary activities before provision against carrying value of investments and interest	(1,681)	(491)	(2,172)	Loss on ordinary activities before finance costs and taxation
Change in carrying value of investments	(328)	328	–	
Interest Payable	(109)	–	(109)	Finance costs
Interest receivable	129	(129)	–	
Loss on ordinary activities before taxation	(1,989)	(292)	(2,281)	Loss on ordinary activities before taxation
Taxation	–	–	–	Taxation
Retained loss for the financial year	(1,989)	(292)	(2,281)	Loss for the year from continuing operations
Loss per Ordinary Share	(3.84p)	(0.56p)	(4.40p)	Loss per Ordinary Share

(d) Reconciliation of Summarised Cash Flow for the year ended 31 March 2007

	Previously reported UK GAAP £000	Effect of transition to IFRS £000	Restated IFRS £000
Net cash outflow from operating activities	(1,032)	40	(992)
Net cash from investing activities	2,238	–	2,238
Net cash used in financing activities	(1,427)	(40)	(1,467)
Net increase (decrease) in cash and cash equivalents	(221)	–	(221)
Cash and cash equivalents at beginning of the year	288	–	288
Cash and cash equivalents at the end of the year	67	–	67

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at the offices of GLE Limited, New City Court, 20 St Thomas Street, London, SE1 9RS, on 24 October 2008 at 12 noon for the following purposes:

To consider and, if thought fit, pass the following resolutions, which shall be proposed as Ordinary Resolutions:

As Ordinary Business

ORDINARY RESOLUTIONS

- (1) To receive the Annual Report and accounts for the year ended 31 March 2008.
- (2) To approve the Directors' remuneration report.
- (3) To re-elect as a Director Mr S. D. Hunt.
- (4) That Ernst & Young LLP be re-appointed as independent auditors to the Company and that the directors be authorised to fix their remuneration.

To consider and, if thought fit, pass the following resolutions, which shall be proposed as Special Resolutions:

As Special Business

SPECIAL RESOLUTIONS

- (5) THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £863,617 (one-third of the total issued Ordinary share capital on 31 March 2008) provided that this authority shall expire on the earlier of the date of the next Annual General Meeting of the Company or 15 months from the date of passing this resolution save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired; and
- (6) THAT subject to the passing of Resolution 5 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 to allot equity securities wholly for cash, (i) in connection with a rights issues; and (ii) otherwise than in connection with a rights issues, up to an aggregate nominal amount of £129,542 or 5% of the issued Ordinary share capital, at a price of not less than the net asset value per share, provided that this authority shall expire on the earlier date of the next Annual General Meeting of the Company or 15 months from the date of passing this resolution save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

NOTICE OF THE ANNUAL GENERAL MEETING

continued

- (7) THAT in substitution for any existing authority but without prejudice to the exercise of any such power prior to the date hereof, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of Ordinary Shares of 5p in the capital of the Company for cancellation or for placing into treasury, provided that:
- a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 7,767,376 being 14.99% of issued Ordinary Shares as at 31 March 2008;
 - b) the minimum price which may be paid for an Ordinary Share is its nominal value;
 - c) the maximum price which may be paid for an Ordinary Share is an amount equal to maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
 - d) this authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company held in 2009; and
 - e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

J E P Gervasio

Secretary

25 September 2008

Registered Office:

Saint Martins House

210-212 Chapeltown Road

Leeds LS7 4HZ

Notes to the notice of the Annual General Meeting:

- 1 A member of the Company entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- 2 A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy this form. Please indicate on the line below the proxy's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- 3 To be valid, a form of proxy must be lodged with the Company's registrars, Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time of appointment for holding the Meeting.

- 4 In accordance with Regulation 41 of The Uncertified Securities Regulations 2001, only those members entered on the Company's register of members not later than 12 noon on 22 October 2008, or if the meeting is adjourned, Shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting.
- 5 Completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting if he/she wishes to do so.
- 6 Biographical details concerning the Director retiring and offering themselves for re-election can be found at page 8 of the Annual Report.
- 7 Please note that beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Capita Registrars, or to the Company directly. In accordance with Section 325 of the 2006 Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

FORM OF PROXY

To be used at the Annual General Meeting of the Company to be held at the offices of GLE Limited, New City Court, 20 St Thomas Street, London, SE1 9RS, on 24 October 2008 at 12 noon.

I/We being a member/members of the above named Company entitled to attend and vote at the Annual General Meeting of the Company hereby appoint the Chairman of the

Meeting or (see note a) of as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 24 October 2008 at 12 noon and at any adjournment thereof.

Number of ordinary shares proxy is appointed over

Please also tick here if you are appointing more than one proxy

My/our proxy is to vote as indicated below.

ORDINARY RESOLUTIONS

	FOR	AGAINST	WITHHELD
1. To receive the Directors' Report and Accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve the Director's Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect as a director Mr S .D. Hunt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Ernst & Young as auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL RESOLUTIONS

	FOR	AGAINST	WITHHELD
5. To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the directors to allot equity securities for cash without regards to pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise the Company to make purchases of its own shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature Dated 2008

NOTES

- (a) If you wish to appoint a proxy or proxies other than the Chairman of the Meeting please insert that person's name and address and delete (initialling the deletion) "the Chairman of the Meeting or". A proxy need not be a Member of the Company. You may attend and vote at the Meeting instead of any proxy appointed by you if you so wish.
- (b) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrars or you may photocopy this form. Please indicate on the line below the proxy's name the number of shares in relation to which they are authorized to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- (c) Please indicate by inserting "X" in the appropriate box the way in which your proxy is to vote. If you do not do so, your proxy may vote or abstain as he thinks fit. Your proxy will have the authority to vote at his discretion on any amendment or other motion proposed at the Meeting, including any motion to adjourn the Meeting. This proxy will only be used in the event of a poll being directed or demanded.
- (d) This form of proxy must be signed by the appointor or his attorney duly authorised in writing or if the appointor is a corporation this proxy must be given under its Common Seal or be signed by an officer or attorney duly authorised in writing.
To be valid, this form of proxy duly completed and any power of attorney or other authority (if any) under which it is notarially certified, or office copy of such power or authority, must be deposited at the office of the Company's Registrars, Capita Registrars, Proxy Department, 34 Beckenham Road, Beckenham, Kent not less than 48 hours before the time appointed for holding the above Meeting or (as the case may be) adjourned Meeting.
- (e) The resolutions are set out in full in the Notice of Annual General Meeting.
- (f) In accordance with Section 325 of the 2006 Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.



Third Fold and tuck in

BUSINESS REPLY SERVICE
Licence No. MB122



CAPITA REGISTRARS
PROXY DEPARTMENT
PO BOX 25
BECKENHAM
KENT
BR3 4BR

First fold

Second Fold

