

Strathdon Investments Plc

Interim Report

Six months to 30 September 2008

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DIRECTORS AND ADVISERS

Directors

S D Hunt
D J Gamble
A C Firth (resigned 2 July 2008)
M F Williams (resigned 31 October 2008)

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

Solicitors

Keeble Hawson
Protection House
16-17 East Parade
Leeds
LS1 2BR

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 4TU

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 Fund Manger, to 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.

KEY DATA

	30 September 2008	31 March 2008	30 September 2007	31 March 2007	30 September 2006
Net Asset Value £'000	4,248	4,970	16,937	13,988	15,168
Net Asset Value per share	8.20p	9.59p	13.4p	27.0p	29.3p
Share price per share	*2.9p	*7.0p	*12.5p	20.3p	25.5p

** Share price as at 12 December 2008 (March 2008: 24 September 2008 and September 2007: 20 December 2007)*

CHAIRMAN'S STATEMENT

The first six months of this financial year to 30 September 2008 has continued to be a challenging environment with economic conditions significantly worsening towards the end of the period. Nonetheless the Group continues to focus on both reducing costs and seeking to realise its investment portfolio where possible. The operating loss for the six months when compared to the same period last year has been significantly reduced from £0.97 million to £0.19 million. Following both the recent reduction in the size of the board and the recently announced renegotiation of the fund management fees it is anticipated that these losses will be further reduced.

The net asset value as at 30 September 2008 is 8.20 pence per share, which compares to 9.59 pence per share at 31 March 2008.

The board's key short term objective is to restore liquidity and extinguish the bank debt. In this regard the board continues to seek the realisation of the portfolio where possible while at the same time continuing to review its strategic options to deliver shareholder value.

Portfolio Company Performance

In aggregate £0.33 million was realised from 2 investments in the first six months. These realisations generated a small gain of £3,000, compared with the previous carrying value. The bulk of these net proceeds have been used to reduce further the debt of the Group to the current level.

The period has seen no new investment activity and no further requirement for investment in the existing portfolio by the Group. The Fund Manager continues to work closely with the portfolio. Whilst at present there are no anticipated short term cash requirements the current economic conditions remain challenging which may not preclude the need for further investment at some point in the future.

The residual portfolio comprises 11 investments with an aggregate value of £5.02 million with 7 of these investments continuing to comprise in excess of 96% of the residual value.

Financial Results

The operating loss for the six months ended 30 September 2008 was £0.19m compared to £0.97m in the same period last year. After taking account of realised gains and unrealised losses on investments the loss before tax for the six months was £0.72 m compared to £7.05 m in the same period in the prior year.

Total net assets at 30 September 2008 were £4.25m (2007: £6.94 million) equivalent to a net asset value per share of 8.20 pence (2007: 13.40 pence); bank borrowings totalled £0.33m.

Board

Further to the announcement made at the AGM on 24 October 2008, Malcolm Williams resigned from the board on 31 October 2008. The board would like to thank Malcolm for his substantial contributions to and support for the Group.

Outlook

This period has seen costs reduced further, continuing realisations and a reduction in bank debt. The Group is seeking to continue this strategy with the goal of ultimately operating free of debt. When combined with further cost reductions arising from the renegotiation of the fund management fees it is intended that this will allow the Group to focus on achieving further realisations and to continue to review its strategic options to enhance shareholder value.

Simon Hunt

Chairman

15 December 2008

UNQUOTED INVESTMENTS
As at 30 September 2008

	Unrealised Valuation at 30 September 2008
	£000
Meta Vision Systems Limited	1,899
AMG Systems Limited	1,048
Business HR Solutions Limited	503
In Touch with Health Limited	428
Episys Limited	363
Newnova Group Limited	340
Oxensis Limited	226
Knowledge Capital Group Inc	68
eeParts Limited Inc	53
Utilyx Limited	48
Oxagen Limited	46
	<hr/>
	5,022
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UNQUOTED INVESTMENTS

As at 30 September 2008

Meta Vision Systems Limited

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.

Eynsham

www.meta-mvs.com

AMG Systems Limited

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.

Biggleswade

www.amgsystems.co.uk

Business HR Solutions Limited

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.

London

www.businesshr.net

Intouch with Health Limited

Intouch with Health provides Patient Information and Patient Feedback services to NHS Trusts and other health clients. 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.

Cirencester

www.intouchwithhealth.co.uk

Episys Limited

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.

Royston

www.episys.com

UNQUOTED INVESTMENTS

As at 30 September 2008

Newnova Group Limited

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.

Windsor

www.newnova.co.uk

Oxensis Limited

Oxensis 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. Oxensis is a spin-out from the Council for the Central Laboratory of the Research Councils run by the team that successfully built Bookham Technology.

Oxford

www.oxensis.com

Knowledge Capital Group Inc

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.

Austin, Texas

www.knowledgecap.com

eeParts Limited Inc

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.

Dallas, Texas

www.eeparts.com

Utilyx Limited

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.

London

www.utilyx.com

Oxagen Limited

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.

Abingdon, Oxford

www.oxagen.com

CONSOLIDATED INCOME STATEMENT

For the 6 months ended 30 September 2008

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
Notes			
Income	74	(493)	365
Administrative expenses	(263)	(474)	(1,682)
Operating loss	(189)	(967)	(1,317)
Realised gains on financial assets designated at fair value through profit or loss (net)	3	25	241
Unrealised losses on financial assets designated at fair value through profit or loss (net)	(516)	(6,043)	(7,834)
Net movement on investments	(513)	(6,018)	(7,593)
Loss on ordinary activities before finance costs and taxation	(702)	(6,985)	(8,910)
Finance costs	(20)	(66)	(108)
Loss from continuing operations before taxation	(722)	(7,051)	(9,018)
Taxation	-	-	-
Loss for the period from continuing operations	(722)	(7,051)	(9,018)
Basic and diluted loss per share	(1.39)p	(13.61)p	(17.40)p

CONSOLIDATED BALANCE SHEET

As at ended 30 September 2008

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
Notes			
Assets			
Non-current assets			
Financial assets designated at fair value through profit or loss	5,022	8,355	5,557
Current assets			
Trade and other receivables	212	307	555
Cash and cash equivalents	96	34	201
	308	341	756
Liabilities			
Current liabilities			
Financial liabilities	(330)	(1,205)	(656)
Trade and other payables	(611)	(413)	(546)
	(941)	(1,618)	(1,202)
Net current / (liabilities) assets	(633)	(1,277)	(446)
Total assets less current liabilities	4,389	7,078	5,111
Non-current liabilities			
Loans	(141)	(141)	(141)
Net assets	4,248	6,937	4,970
Shareholders' equity			
Share capital	2,591	2,591	2,591
Share premium account	6,392	6,392	6,392
Special reserve	36,290	36,290	36,290
Revaluation reserve	-	-	-
Warrant reserve	928	928	928
Retained earnings	(41,953)	(39,264)	(41,231)
Total Shareholders' equity	4,248	6,937	4,970
Net asset value per Ordinary share	3	8.20p	13.40p
		13.40p	9.59p

Signed on behalf of the Board

Simon Hunt
Chairman
15 December 2008

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the 6 months ended 30 September 2008

	Share Capital	Share premium account	Special reserve	Revaluation reserve	Warrant reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2007	2,591	6,392	36,290	-	928	(32,213)	13,988
Loss for the period	-	-	-	-	-	(7,051)	(7,051)
Balance at 30 September 2007	2,591	6,392	36,290	-	928	(39,264)	6,937
Loss for the period	-	-	-	-	-	(1,967)	(1,967)
Balance at 31 March 2008	2,591	6,392	36,290	-	928	(41,231)	4,970
Loss for the period	-	-	-	-	-	(722)	(722)
Balance at 30 September 2007	2,591	6,392	36,290	-	928	(41,953)	4,248

CONSOLIDATED CASH FLOW STATEMENT

For the 6 months ended 30 September 2008

	Unaudited 6 months ended 30 September 2008	Unaudited 6 months ended 30 September 2007	Audited Year ended 31 March 2008
	£000	£000	£000
Net cash outflow from operating activities	(85)	(202)	(215)
Cash flows (used in) / from investing activities			
Proceeds from sale of subsidiary	-	-	11
Purchase of financial assets	-	(431)	(557)
Proceeds from sale of financial assets	326	730	1,626
Net cash (used in) / from investing activities	326	299	1,080
Cash flows from / (used in) financing activities			
Repayment of borrowings	(326)	(75)	(959)
Interest paid	(20)	(55)	(107)
Loan funds drawn down	-	-	335
Net cash from / (used in) financing activities	(346)	(130)	(731)
Net increase / (decrease) in cash and cash equivalents	(105)	(33)	134
Cash and cash equivalents at the beginning of the period	201	67	67
Cash and cash equivalents at the end of the period	96	34	201

NOTES TO THE FINANCIAL STATEMENTS

For the 6 months ended 30 September 2008

1. These half year statements, which have been approved by the directors, are unaudited, and have not been reviewed by the auditors pursuant to the Auditing Practices Board (ASB) guidance on Review of Interim Financial Information.

The half year statements do not constitute full financial statements as defined in section 240 of the Companies Act 1985. The comparative figures for the year ended 31 March 2008 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2008. Those accounts included an emphasis of matter with regards to going concern and an adverse opinion in respect of the non-consolidation of the investment in Stagebeach Limited.

Emphasis of matter – Going concern

In forming their opinion on the financial statements, the auditors considered the adequacy of the disclosure made in regards to the director's review of the anticipated income and expenditure of the Group, 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, the audit report emphasized the indication of the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern. The audit opinion was not qualified in this respect.

Adverse opinion

The Group held a majority investment in Stagebeach Limited 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 in the prior year comparatives. The Group did not account for its investment in Stagebeach as a subsidiary in the period up to May 2007 as required by IAS 27, as the directors were of the opinion that it would not assist shareholders in their understanding of the 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 does not have access to the necessary information to enable Stagebeach Limited's financial results to be accounted for under IAS 27. In view of this, the auditors opinion was that the consolidated financial statements for the year ended 31 March 2008 did not give a true and fair view, in accordance with IFRSs as adopted by the European Union.

The accounts for the year ended 31 March 2008 have been delivered to the Registrar of Companies.

The half year statements have been prepared on a going concern basis. In arriving at their decision to prepare the half year statements on a going concern basis, the directors have reviewed the anticipated income and expenditure of the Group and compared it with the Group's cash resources. The directors believe that it remains appropriate to prepare these accounts on a going concern basis, however the ability of the Group to remain a going concern is dependent on the realisation of an illiquid portfolio of securities in what continues to be extremely difficult market conditions. Furthermore, there is considerable uncertainty over the timing and quantum of the proceeds from the realisation of the portfolio. Until funds become available from such sources, the Group remains dependant on its short term financing arrangements, with its bank and the continuing agreement with YFM Venture Finance Limited and the directors to delay payment of their fees.

The half year statements comply with IAS 34 'Interim Financial Reporting' and the accounting policies and methods of computation adopted in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the 6 months ended 30 September 2008

The financial statements for the year ended 31 March 2008 were prepared in accordance with the International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

2. The loss per share is based on the net loss from ordinary activities after tax attributable to shareholders of £722,000 (30 September 2007: £7,051,000 and 31 March 2008: £9,018,000) and on 51,817,057 shares (30 September 2007 and 31 March 2008: 51,817,057), being the weighted average number of shares in issue during the period.

The share options within the Employee Share Option Scheme and the warrants exercisable at 36p per share are considered to be dilutive. The Company has no other securities that would have a dilutive effect and hence basic and diluted earnings per share are the same.

3. The net asset value per share is calculated on attributable assets of £4,248,000 and 51,817,057 shares in issue at the period end (30 September 2007: assets of £6,937,000 and 51,817,057 shares, 31 March 2008: assets of £4,970,000 and 51,817,057 shares).

The share options within the Employee Share Option Scheme and the warrants exercisable at 36p per share are not considered to be non-dilutive potential ordinary shares. The Company has no other securities that would have a dilutive effect and hence basic and diluted net asset values per share are the same.

4. Copies of the interim report can be obtained from the Company's registered office: Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ.