

2010



Strathdon Investments plc

Report and Accounts

For the year ended 31 March 2010

CONTENTS

2	Directors and Advisers
3	Statement of Corporate Objectives and Key Data
3	Financial Calendar
4	Chairman's Statement
6	Unquoted Investments
8	Valuation of Investments
9	Directors
10	Directors' Report
17	Directors' Remuneration Report
18	Independent Auditors' Report
20	Consolidated Statement of Comprehensive Income
21	Consolidated Balance Sheet
22	Company Balance Sheet
23	Statements of Changes in Shareholders' Equity
24	Consolidated Statement of Cash Flows
24	Company Statement of Cash Flows
25	Notes to the Financial Statements
43	Notice of the Annual General Meeting

*Registered in England and Wales No. 726423
Strathdon Investments Plc is an investment company as defined under
Section 833 of the Companies Act 2006*

DIRECTORS AND ADVISERS

Directors

S D Hunt - Chairman

D J Gamble

J R Cusins (appointed 21 July 2010)

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

Lloyds TSB Bank plc

Black Horse House

Wallbrook Court

North Hinksey Lane

Botley

Oxford

OX2 0QS

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

Grant Thornton UK LLP

2 Broadfield Court

Sheffield

S8 0XF

Registrar and Transfer Office

Capita Registrars Limited

Northern House

Woodsome Park

Fenay Bridge

Huddersfield

HD8 0GA

STATEMENT OF CORPORATE OBJECTIVES

Strathdon Investments plc (“Strathdon”) 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 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 2010	31 March 2009	31 March 2008	31 March 2007	31 March 2006
Net Asset Value £'000	2,667	3,202	4,970	13,988	16,269
Net Asset Value per share	5.15p	6.18p	9.59p	27.00p	31.4p
Share price per share	*2.12p	*2.75p	7.0p	20.25p	28.5p

*Share price as at 2 September 2010 was 2.12p (March 2009: share price as at 24 September 2009 was 2.75p)

FINANCIAL CALENDAR

Results Announced
Annual General Meeting

6 September 2010
29 September 2010

CHAIRMAN'S STATEMENT

Whilst the last twelve months have been challenging such times can also provide an opportunity to improve efficiency and expand market share. I expect conditions to remain difficult for some time, but there are now signs that the economic picture is slowly improving which should provide an opportunity to realise investment values.

I am pleased to report that further progress has been made during the year. Realisations have enabled the bank borrowings to be repaid in full, with only £141,000 of investor loans remaining at 31 March 2010. The overall Group creditor position has been reduced significantly, current liabilities having fallen to £0.58 million at 31 March 2010 from £0.92 million at 31 March 2009.

Further progress has also been made by the Board in reducing the running costs which now stand at £0.23 million for the year to 31 March 2010 compared to £0.45 million in 2009. However, reduced profits in some of the portfolio companies have resulted in the net asset value falling to £2.67 million, equivalent to 5.15 pence per share (2009: £3.20 million and 6.18 pence per share respectively).

The Board's key objective in the short term remains focused on the realisation of the portfolio whilst reviewing its strategic options to deliver shareholder value.

We continue to take steps to lower the cost base further. Accordingly the Fund Manager's fees were reduced from 1 January 2010.

Portfolio Company Performance

The Fund Management activity during the year has continued to focus on the existing portfolio, and in particular extracting the best possible return for shareholders from realisations. There were no new investments and only a £12,000 follow-on investment into Oxagen Limited during the year to preserve the fund's preferred rights.

Total disposal proceeds received during the year were £0.64 million with the biggest contribution coming from the sale of our holding in Newnova Group Limited for £0.59 million. This represented a profit on cost of £0.07 million. A sale of some of our shares in Utilyx Limited to other shareholders realised proceeds of £0.02 million. The remaining £0.03 million of proceeds relate to scheduled loan repayments from Meta Vision Systems Limited and Business HR Solutions Limited.

During the period two businesses successfully raised significant further funding with Oxagen Limited raising over £15 million in a round led by Novartis Ventures and Oxsensis Limited raising £2.8 million in a round led by The Carbon Trust.

A reduction of £1.07 million in the value of the portfolio has been recognised during the year with £0.57 million resulting from disposal of investments (principally Newnova Group Limited) and £0.52 million relating to unrealised value movements. This value reduction results mainly from a fall in earnings at Meta Vision Systems Limited (£0.63 million value drop since March 2009) and Intouch with Health Limited (£0.25 million value drop since March 2009) offset by profit growth at AMG Systems Limited (£0.35 million value increase since March 2009). The residual portfolio comprises 11 investments with an aggregate value of £3.03 million with 5 of these investments comprising 95% of the residual value.

Financial Results

The loss for the year was £0.54 million compared to £1.77 million in the prior year. This is after taking account of a net write down on unrealised investment valuations of £0.45 million (2009: £1.39 million).

Total net assets at 31 March 2010 were £2.67 million (2009: £3.20 million) equivalent to a net asset value per share of 5.15 pence (2009: 6.18 pence).

At 31 March 2010, bank borrowings were fully repaid following the successful realisation of our residual investment in Newnova Group during the year.

Board

Following the year end John Cusins was appointed as Non-Executive Director on 21 July 2010. John joins the Board with significant experience in the Asset Management sector. Brief biographical details are included on page 9 of these financial statements. A resolution to elect him to the Board will be proposed at the forthcoming Annual General Meeting.

CHAIRMAN'S STATEMENT

continued

Outlook

2009/10 has been another challenging year for Strathdon and the portfolio is likely to face continued economic challenges. However, following a significant restructuring of Strathdon's operations last year the Group now benefits from a significantly lower cost structure. With the assistance of YFM Venture Finance Limited, the Group's Fund Manager, realisations have been achieved enabling repayment of the bank debt in full and a significant reduction in the Group's net creditor position. A gradually improving economic outlook should facilitate further realisations in the months ahead. The Board remains committed to realising value from the portfolio whilst at the same time reviewing its strategic options to enhance shareholder value.

S D Hunt

Chairman

3 September 2010

UNQUOTED INVESTMENTS
As at 31 March 2010

	Unrealised Valuation at 31 March 2010	Unrealised Valuation at 31 March 2009
	£000	£000
AMG Systems Limited	1,036	688
Meta Vision Systems Limited	999	1,626
Episys Limited	364	327
Business HR Solutions Limited	319	321
Oxsensis Limited	154	170
Intouch with Health Limited	80	326
Oxagen Limited	51	23
Utilyx Limited	23	31
Newnova Group Limited	-	587
	3,026	4,099

This section describes the business of the active companies in the portfolio, in order of valuation at 31 March 2010 as detailed above.

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.

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 Daimler 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.

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.

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.

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.

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. A new product is being launched to improve the efficiency of hospital check-in processes.

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.

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.

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, reviewed for impairment.** 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 adjusted, if necessary, for factors relevant to the background of the specific investment. The value of the investment is assessed for changes or events that would imply impairment to its fair value through comparison of financial, technical and marketing milestones set at the time of investment. Where it is considered that the fair value no longer approximates to the cost of the recent investment an estimated adjustment to the cost, based on objective data, will be made to the investment's carrying value.
- **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 cash flows from the investment.

DIRECTORS

Simon Hunt – Non-executive Chairman

Simon Hunt has over 20 years' experience in venture capital and corporate finance, predominantly with technology businesses. He trained as a corporate lawyer, before moving into venture capital management with Gartmore Investment Management Limited, focusing mainly on technology in the US. He later added public company investment banking experience including corporate finance and M&A. Simon has worked with companies at all stages of their development both in the UK and the US. He is Executive Chairman of IPSO Ventures plc and Non-executive Chairman of GEM Biofuels plc, as well as a director of a number of private companies.

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.

John Cusins – Non-executive Director (Appointed 21 July 2010)

John Cusins has held a variety of senior posts in the Investment Banking, Insurance and Asset Management sectors. He qualified as a Chartered Accountant with KPMG before moving to UBS, then took the role of Managing Director at Dresdner Bank London. He was part of the private equity group that acquired Pearl Group Limited in December 2004 and has held a number of senior directorial posts in that business.

DIRECTORS' REPORT

For the Year Ended 31 March 2010

The directors present their report and audited financial statements of the Group for the year ended 31 March 2010.

Principal Activity

The Company is a public limited company incorporated and registered in England and Wales. 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 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

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 pages 4 and 5.

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.

The Group does not have any employees apart from the two 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 underperformance 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 repaid its overdraft in full during the year on realisation of a portion of the investment portfolio. Liquidity to fund the operating costs of the Group's activities is currently provided by this realisation and from anticipated further disposals of unquoted assets.

Regulatory – the Company and Group are required to comply with the Companies Acts, the AIM rules and International Financial Reporting 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 Group holds loan investments on which interest is charged over LIBOR and as such is exposed to changes in interest rates.

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 25 to the accounts.

The Board seeks to mitigate the 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 pages 4 and 5.

DIRECTORS' REPORT

continued

Results & Dividend

The Consolidated loss after taxation for the year amounted to £0.5 million (2009: £1.8 million). The Consolidated Statement of Comprehensive Income for the year is set out on page 20.

The Consolidated Balance Sheet on page 21 of the financial statements sets out the Group's financial position as at 31 March 2010. The Group held unquoted investments valued at £3.0 million at that date (2009: £4.1 million).

The net asset value per share at 31 March 2010 was 5.15p (2009: 6.18p). The mid-market price per Ordinary share at 31 March 2010 was 2.25p (2009: 2.75p). The transfer to and from reserves is given in the Statement of Changes in Shareholders' Equity on page 23.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2010 (2009: £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 company's policy to abide by those agreed terms. There were trade payables of £28,000 outstanding at 31 March 2010 (31 March 2009: £72,000). The number of trade payables days at the year end was 25 (2009: 88).

Donations

There were no political or charitable donations made in the year (2009: none).

Annual General Meeting

Shareholders will find the Notice of the Annual General Meeting on pages 43 and 44 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	%
Artemis Non-US Holding	1,563,332	3.0%
Bank of New York	4,000,000	7.7%
BNY Mellon Nominees Limited	2,029,166	3.9%
BNY (OCS) Nominees Limited	3,376,786	6.5%
Deutsche Bank	3,230,000	6.2%
Fitel Nominees Limited	6,449,284	12.4%
JM Finn Nominees Limited	4,000,000	7.7%
Nortrust Nominees Limited	8,235,000	15.9%
Pershing Nominees Limited	2,347,793	4.5%
Smith & Williamson Nominees Limited	2,449,284	4.7%
State Street Nominees Limited	5,142,697	9.9%
Wolseley Investments Limited	2,534,302	4.9%
	45,357,644	87.5%

Directors and their Interests

The directors of the Company at 31 March 2010, their interests and contracts of significance are set out in the Directors' Remuneration Report on page 17.

Independent Auditors

Grant Thornton UK LLP continue to serve as auditors for the Company. A resolution to re-appoint them will be proposed at the Annual General Meeting.

Fund Manager

YFM Venture Finance Limited continues to serve as the Group's Fund Manager. A revised Management Agreement was signed on 1 December 2009. Details of this agreement are detailed in note 4 to the accounts, on page 29.

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 (IFRSs) 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 and Company, and 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 and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company 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.

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Group's auditors are unaware; and that each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Corporate Governance

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

Whilst the Group 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 2010.

Role of the Board

A management agreement between the Group and YFM Venture Finance Limited ("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.

DIRECTORS' REPORT

continued

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

During the year the Board consisted of two non-executive directors, including the Chairman. A third non-executive director was appointed after the year end. All of the directors are regarded by the Board as independent. All are considered independent of the Group's Fund Manager.

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 9.

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 the directors. Shareholders are therefore able to approach any of the directors with any queries they may have.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees.

The table below details the number of Board and Audit Committee meetings attended by each director. During the year there were four formal Board meetings and one Audit Committee meeting and no Nomination Committee or Remuneration Committee meetings.

Director	Board meetings attended	Audit Committee meetings attended
John Cusins*	-	-
David Gamble	4	1
Simon Hunt	4	1

*Appointed 21 July 2010

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 page 17. 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 once each year. The directors consider that it is appropriate that the Chairman of the Committee should be David Gamble. 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.

DIRECTORS' REPORT

continued

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 2.

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 2. 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 1 December 2009, 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; and
- 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 Company's systems of internal control for the year to the date of this report. The directors are of the opinion that the Company'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 Company.

DIRECTORS' REPORT

Continued

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 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 2011 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 certain realisations of investments occurring within the period under review. The directors are in discussions with potential purchasers of a number of the Group's investments. These discussions are in the early stages and the outcome is therefore uncertain. The directors are confident that a number of these realisations will be successful, however the directors have concluded that the above circumstances represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

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 Fund Manager, 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, with a focus on businesses that are applying information technology to areas which include energy, finance, healthcare and process control sectors.

Although the Fund Manager has discretion to make investment and divestment decisions on behalf of the Group such matters are decided in discussion with the Board.

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 25 to the financial statements.

Investments made predominantly comprise Ordinary and Preference shares together with fixed and variable rate cumulative unsecured loan stocks or debenture loans. Each investment is valued in accordance with the policy set out on page 8 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 2010 can be found in the Unquoted Investments section and note 11 to these Financial Statements.

DIRECTORS' REPORT

continued

Conversion of Warrants

Warrants issued following the merger of Strathdon Investments Limited and INVESCO techMARK Enterprise Trust plc in 2004 may now be converted into Ordinary shares. Warrant holders will be entitled to exercise their subscription rights between four and eight weeks following the publication of the Group's interim and annual reports, commencing with the publication of the 2009 interim report and ending with the publication of the Group's annual accounts for the financial year ending 31 March 2011.

Warrants will therefore be exercisable between 4 October 2010 and 1 November 2010. The registered holder of a warrant shall have rights to subscribe to one Ordinary share at a subscription price of 36.0p. The share price of Strathdon Investments plc was 2.12p on 2 September 2010.

Warrant holders wishing to convert should notify the Company Secretary at the Group's registered office; Saint Martins House, 210-212 Chapeltown Road, Leeds, LS7 4HZ no later than 5pm on 1 November 2010.

Special Business at the Annual General Meeting

Shareholders will find on pages 43 and 44 the notice of the forthcoming Annual General Meeting of the Company to be held on 29 September 2010. In addition to the ordinary business of the meeting two resolutions, numbered (6) and (7), are proposed as special business.

Special Resolution (6) seeks the renewal of the Directors' authority to allot relevant securities of the Company up to an aggregate nominal value of £863,618 (being one-third of the total issued Ordinary share capital on 31 March 2010) and that notwithstanding the pre-emption provisions of section 561 of the Companies Act 2006, 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 (7) seeks the renewal of the Directors' authority to buy back Ordinary shares of the Company up to a limit of 7,767,377 Ordinary shares (being 14.99 per cent of the issued Ordinary share capital at 31 March 2010), 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 3 September 2010 and signed on its behalf by:

S D Hunt
Director

DIRECTORS' REMUNERATION REPORT

Companies that have their shares listed on AIM are not required to fully comply with the disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 or to comply with UKLA Listing Rules and the disclosure provisions under the Companies Act 2006. However, the directors have chosen to make the following voluntary disclosures.

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 six 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

At 31 March 2010 the beneficial interests of the directors in the share capital of the Company (including those of immediate family members) were as follows:

	At 31 March 2010 Warrants	At 31 March 2009 Warrants	At 31 March 2010 Ordinary shares	At 31 March 2009 Ordinary shares
J R Cusins*	-	-	-	-
D J Gamble	-	-	-	-
S D Hunt	7,318	7,318	2,396	2,396

*Appointed 21 July 2010, shareholding at that date 3,224,642 Ordinary shares.

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 9.

Staff costs are detailed in note 6 to the accounts. Following the appointment of YFM Venture Finance Limited as Fund Manager in the year to 31 March 2008, the Group has had no employees or executive directors.

Directors' Remuneration - Audited

Total directors' remuneration for the year amounted to £40,000 (2009: £52,508) of which £15,000 (2009: £30,000) was paid or accrued to individuals for services as directors and £25,000 (2009: £22,508) 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 £	2010 Total £	2009 Total £
J R Cusins*	-	-	-	-	-
D J Gamble	15,000	-	-	15,000	15,000
S D Hunt	25,000	-	-	25,000	22,508
A C Firth**	-	-	-	-	6,250
M F Williams***	-	-	-	-	8,750
	40,000	-	-	40,000	52,508

*Appointed 21 July 2010

**Resigned 2 July 2008

***Resigned 31 October 2008

At 31 March 2010 accrued directors remuneration amounted to £60,794 (2009: £62,083) payable to individuals and £nil payable to third parties in respect of directors' services (2009: £3,758).

It is the Group'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 2010, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Group and Company Statements of Changes in Shareholders' Equity, the Consolidated and Company Statement of Cash Flows and notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Accounting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the Basis of Preparation section of note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group has net current liabilities of £359,000 at 31 March 2010.

As explained in the Basis of Preparation section of note 1, the going concern assumption is dependent upon the Group securing certain realisations of investments in the period to 30 September 2011. The directors are in discussions with potential purchasers of a number of the Group's investments. These discussions are in the early stages and the outcome is therefore uncertain.

These conditions, along with the other matters explained in the Basis of Preparation section of note 1 to the financial statements, indicate 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STRATHDON INVESTMENTS PLC

Continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Craig Burton

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
3 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2010

		Year ended 31 March 2010	Year ended 31 March 2009
	Notes	£000	£000
Income	3	158	105
Administrative expenses	4	(231)	(446)
Operating loss		(73)	(341)
Realised gains on financial assets designated at fair value through profit or loss (net)	11	69	-
Unrealised gains on financial assets designated at fair value through profit or loss (net)	11	(518)	(1,392)
Net movement on investments		(449)	(1,392)
Loss before finance costs and taxation		(522)	(1,733)
Finance costs	7	(13)	(35)
Loss before taxation		(535)	(1,768)
Taxation	8	-	-
Loss for the year attributable to equity shareholders		(535)	(1,768)
Total comprehensive income for the year attributable to equity shareholders		(535)	(1,768)
Basic and diluted loss per share	10	(1.03)p	(3.41)p

The accompanying notes on pages 25 to 42 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
As at 31 March 2010

	Notes	31 March 2010 £000	31 March 2009 £000
Assets			
Non-current assets			
Financial assets designated at fair value through profit or loss	11	3,026	4,099
		3,026	4,099
Current assets			
Trade and other receivables	13	57	62
Cash and cash equivalents	20	162	102
		219	164
Liabilities			
Current liabilities			
Financial liabilities	14	(141)	(300)
Trade and other payables	15	(437)	(620)
		(578)	(920)
Net current liabilities		(359)	(756)
Total assets less current liabilities		2,667	3,343
Non-current liabilities			
Financial liabilities	16	-	(141)
Net assets		2,667	3,202
Shareholders' equity			
Share capital	17	2,591	2,591
Share premium account		6,392	6,392
Special reserve		36,290	36,290
Warrant reserve		928	928
Retained earnings		(43,534)	(42,999)
Total Shareholders' equity		2,667	3,202
Basic and diluted net asset value per Ordinary share	18	5.15p	6.18p

The accompanying notes on pages 25 to 42 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 3rd September 2010 and were signed on its behalf by:

S D Hunt
Chairman

COMPANY BALANCE SHEET
As at 31 March 2010

	Notes	31 March 2010 £000	31 March 2009 £000
Assets			
Non-current assets			
Financial assets designated at fair value through profit or loss	11	33	21
Investments in subsidiaries	12	-	-
		33	21
Current assets			
Trade and other receivables	13	2,891	3,793
Cash and cash equivalents		89	59
		2,980	3,852
Liabilities			
Current liabilities			
Trade and other payables	15	(100)	(212)
		2,880	3,640
Net current assets			
		2,880	3,640
Net assets			
		2,913	3,661
Shareholders' equity			
Share capital	17	2,591	2,591
Share premium account		6,392	6,392
Special reserve		36,290	36,290
Warrant reserve		928	928
Retained earnings		(43,288)	(42,540)
Total Shareholders' equity			
		2,913	3,661

The accompanying notes on pages 25 to 42 are an integral part of these financial statements.

The financial statements were approved by the Board of directors on 3rd September 2010 and were signed on its behalf by:

S D Hunt
Chairman

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 March 2010

	Share capital	Share premium account	Special reserve*	Warrant reserve	Retained earnings	Total equity
Group	£000	£000	£000	£000	£000	£000
Balance at 31 March 2008	2,591	6,392	36,290	928	(41,231)	4,970
Loss and total comprehensive income for the period	-	-	-	-	(1,768)	(1,768)
Balance at 31 March 2009	2,591	6,392	36,290	928	(42,999)	3,202
Loss and total comprehensive income for the period	-	-	-	-	(535)	(535)
Balance at 31 March 2010	2,591	6,392	36,290	928	(43,534)	2,667

	Share capital	Share premium account	Special reserve*	Warrant reserve	Retained earnings	Total equity
Company	£000	£000	£000	£000	£000	£000
Balance at 31 March 2008	2,591	6,392	36,290	928	(41,231)	4,970
Loss and total comprehensive income for the period	-	-	-	-	(1,309)	(1,309)
Balance at 31 March 2009	2,591	6,392	36,290	928	(42,540)	3,661
Loss and total comprehensive income for the period	-	-	-	-	(748)	(748)
Balance at 31 March 2010	2,591	6,392	36,290	928	(43,288)	2,913

The accompanying notes on pages 25 to 42 are an integral part of these financial statements.

* The special reserve is a distributable reserve

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Net cash outflow from operating activities	19	(258)	(161)
Cash flows from investing activities			
Purchase of financial assets	11	(12)	-
Proceeds from sale of financial assets		636	440
Net cash from investing activities		624	440
Cash flows used in financing activities			
Repayment of borrowings		(300)	(356)
Interest paid		(6)	(22)
Net cash used in financing activities		(306)	(378)
Net increase / (decrease) in cash and cash equivalents		60	(99)
Cash and cash equivalents at beginning of the year		102	201
Cash and cash equivalents at the end of the year	20	162	102

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Net cash inflow from operating activities	19	42	59
Cash flows used in investing activities			
Purchase of financial assets	11	(12)	-
Net cash used in investing activities		(12)	-
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		30	59
Cash and cash equivalents at beginning of the year		59	-
Cash and cash equivalents at the end of the year		89	59

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 2006 applicable to companies reporting under IFRS.

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 2011 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 certain realisations of investments occurring within the period under review. The directors are in discussions with potential purchasers of a number of the Group's investments. These discussions are in the early stages and the outcome is therefore uncertain. The directors are confident that a number of these realisations will be successful, however the directors have concluded that the above circumstances represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets 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 financial statements are prepared in accordance with IFRSs and interpretations in force at the reporting date. The following new standards and amendments to standards are mandatory for the first time for the financial year commencing 1 April 2009.

IAS 1 (revised) 'Presentation of Financial Statements'. The Group has elected to present a single performance statement: the Statement of Comprehensive Income. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. Comparatives are not required.

IFRS 8 'Operating Segments'. The adoption of this standard has had no impact on the segmental information reported by the Group.

The Group has adopted new accounting standards in the year as described above. As the impact (if any) of these changes has been presentational only and therefore has not affected comparative amounts, no third balance sheet (which would show the position as at 31 March 2008) has been included within these financial statements.

Other standards and interpretations which are effective for this financial period but are not currently relevant for the Group are IFRS 2 (amendment), IAS 23, IAS 32, IAS 39 and IFRICs 13 to 16.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been early adopted in these financial statements. These include amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 5, IAS 1, IAS 24, IAS 27, IAS 32, IAS 38, IAS 39, IFRIC 14, and the issue of IFRS 9, IFRIC 9, IFRIC 17, IFRIC 18 and IFRIC 19. These changes are not expected to have a material impact on the financial statements.

Critical accounting estimates and judgements

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. A detailed explanation of the valuation policies of the Group is included on page 8.

NOTES TO THE FINANCIAL STATEMENTS

Continued

1. Principal Accounting Policies (continued)

As explained above, a critical judgement made by the directors is the preparation of the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Strathdon Investments plc and its subsidiaries.

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 Company or Group does not hold more than 50% of the total equity of any of the companies within the investment portfolio.

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, 'Interests in joint ventures', these have been accounted for as investments held at fair value through profit or loss 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 unless an intra-group loss provides evidence of an impairment in the assets transferred.

Functional currency

The functional and presentation currency of Strathdon Investments plc and its subsidiaries is the pound sterling (£). All subsidiaries within the Group are UK resident. 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies (continued)

Expenses

Expenses are accounted for on an accruals basis.

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 the 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income as gains or 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 Statement of Comprehensive Income.

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 September 2009. The investment valuations in the financial statements for the year ended 31 March 2009 were made in accordance with IAS 39 and the IPEVC guidelines issued in October 2006. The updates to the IPEVC guidelines consist of clarifications and expanded guidance therefore application of the revised guidelines as at 31 March 2009 would not have resulted in significant changes to the investment valuations at that date. A detailed explanation of the valuation policies of the Group is included on page 8.

Financial liabilities

Financial liabilities, including borrowings and trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. All interest related charges are included within finance costs in profit or loss.

Trade and other receivables

Trade and other receivables are initially recognised at fair value then subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Discounting is omitted where the effect of discounting is immaterial.

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.

Taxation

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

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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Principal Accounting Policies (continued)

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, except 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.

Segmental Reporting

The directors are of the opinion that the Group has engaged in a single class of business being that of investing in equity and debt securities and therefore no additional segmental reporting is provided. An analysis of income is given in note 3 below.

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 no significant items are held outside the UK.

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 Statement of Comprehensive Income, 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

Investments in subsidiaries

Investments in subsidiaries are accounted for in accordance with IAS 27.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Parent Company Statement of Comprehensive Income

Strathdon Investments plc has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to publish a parent company only Statement of Comprehensive Income.

The amount of loss dealt with in the accounts of the parent company for the year ended 31 March 2010 is £748,000 (year ended 31 March 2009: loss of £1,309,000).

3. Income

	2010 £000	2009 £000
Income from investments:		
Dividends from unquoted companies	132	82
Interest on loans to unquoted companies	13	(3)
<hr/>		
Income from investments held at fair value through profit or loss	145	79
Other income	13	24
Interest on deposits	-	2
<hr/>		
Total income	158	105

All dividends relate to one investment (2009: one investment).

4. Operating Loss

Operating loss is stated after charging:

	2010 £000	2009 £000
Fund management fee	96	200
Administration fee	27	46
<hr/>		
Other expenses:		
Directors' remuneration (see note 5)	40	53
Auditors' remuneration:		
audit fees	19	19
taxation services	4	4
<hr/>		

There have been no credit losses recognised on loan interest and management fees during the year.

YFM Venture Finance Limited provides fund management services to the Company under a revised agreement dated 1 December 2009. The agreement 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 3% of net assets, calculated at half-yearly intervals as at 31 March and 30 September, or £7,500 per active investment in the portfolio per annum, whichever is higher.
- Under this same agreement YFM Venture Finance Limited also provides administrative and secretarial services to the Company for a fee of £35,000 per annum from 1 January 2009 to 30 September 2009. Thereafter a fee of £20,000 per annum applies, plus annual adjustments to reflect movements in the Retail Prices Index.

The total remuneration payable to YFM Venture Finance Limited in the year was £123,000 (2009: £246,000). At 31 March 2010 a total of £222,000 was due to YFM Venture Finance Limited (2009: £256,000).

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Directors' remuneration

The details of directors' remuneration are set out in the audited section of the Directors' Remuneration Report on page 17.

6. Staff costs

The Group has no employees other than its non-executive directors (the average staff number, excluding non-executive directors, was nil at both 31 March 2009 and 31 March 2010).

7. Finance costs

	2010 £000	2009 £000
Bank interest on loans and overdrafts	13	35

8. Taxation

The tax charge is made up as follows:

	2010 £000	2009 £000
Current tax:		
UK Corporation tax	-	-
Tax overpaid in previous years	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	-	-
Tax charge	-	-

Factors affecting current tax charge

	2010 £000	2009 £000
Loss before taxation	(535)	(1,768)
Loss before taxation multiplied by standard rate of corporation tax in UK of 28% (2009: 28%)	(150)	(495)
Effect of:		
Non-deductible expense/(non-taxable income)	(37)	(23)
Depreciation in excess of capital allowances	(1)	-
Unrealised losses on fixed asset investment held at fair value through profit or loss	125	409
Unrelieved losses	63	109
Tax on loss on ordinary activities	-	-

Factors that may affect future tax charges

A potential deferred tax asset of £10,245,000 (2009: £10,058,000) 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.

9. Dividends

No dividends are proposed in respect of the year ended 31 March 2010 (31 March 2009: £nil).

NOTES TO THE FINANCIAL STATEMENTS

continued

10. Basic and Diluted Loss per share

The loss per share is based on net loss from ordinary activities after tax of £535,000 (2009: £1,768,000) and on 51,817,057 (2009: 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.

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

Effective from 1 April 2009 the Group adopted the amendment to IFRS 7 regarding financial instruments that are measured in the balance sheet at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprise quoted investments classified as held at fair value through profit or loss. The Group holds no such instruments in the current or prior year.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group holds no such instruments in the current or prior year.
- Level 3: the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There have been no transfers between these classifications in the period (2009: none), and the movement in Level 3 instruments is disaggregated below. The change in fair value for the current and previous year is recognised in profit or loss.

All items held as fair value through profit or loss were designated as such upon initial recognition. Movements in financial assets at fair value through profit or loss during the year to 31 March 2010 are summarised as follows:

IFRS 7 measurement classification	Level 3		Total Investments £000
	Unquoted Equity Investments £000	Unquoted Loan Investments £000	
Group			
Opening cost	12,243	4,334	16,577
Opening unrealised loss	(9,062)	(3,416)	(12,478)
Opening valuation	3,181	918	4,099
Additions at cost	12	-	12
Disposal proceeds	(18)	(618)	(636)
Net profit /(loss) realised on disposal	(4)	73	69
Changes in fair value in the year	(441)	(77)	(518)
Closing valuation	2,730	296	3,026
Closing cost	12,233	3,789	16,022
Closing unrealised loss	(9,503)	(3,493)	(12,996)
Closing valuation	2,730	296	3,026

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Financial assets designated at fair value through profit or loss (continued)

Movements in financial assets at fair value through profit or loss for the Group during the year to 31 March 2009 are summarised as follows:

IFRS 7 measurement classification	Level 3	Level 3	
	Unquoted Equity Investments £000	Unquoted Loan Investments £000	Total Investments £000
Group			
Opening cost	10,979	5,664	16,643
Opening unrealised loss	(7,600)	(3,486)	(11,086)
Opening valuation	3,379	2,178	5,557
Additions at cost	-	-	-
Disposal proceeds	-	(66)	(66)
Net profit/(loss) realised on disposal	-	-	-
Restructure	1,264	(1,264)	-
Changes in fair value in the year	(1,462)	70	(1,392)
Closing valuation	3,181	918	4,099
Closing cost	12,243	4,334	16,577
Closing unrealised loss	(9,062)	(3,416)	(12,478)
Closing valuation	3,181	918	4,099

The movements in Level 3 instruments, as defined earlier in this note, are summarised below.

	Level 3 £000	Total £000
Opening fair value at 1 April 2009	4,099	4,099
Additions at cost	12	12
Disposal proceeds	(636)	(636)
Net profit on disposal	69	69
Change in fair value in the year on assets held at 31 March 2010	(518)	(518)
Closing fair value at 31 March 2010	3,026	3,026

The total of fair value adjustments below cost made against unquoted investments at 31 March 2010 amounted to £14,248,000 (2009: £13,415,000).

Movements in financial assets at fair value through profit or loss during the year to 31 March 2010 and 2009 for the parent company are summarised as follows:

Company	2010 Unquoted Equity Investments £000s	2009 Unquoted Equity Investments £000s
Opening cost	1,214	1,214
Opening unrealised loss	(1,193)	(1,175)
Opening valuation	21	39
Additions at cost	12	-
Changes in fair value in the year	-	(18)
Closing valuation	33	21
Closing cost	1,226	1,214
Closing unrealised loss	(1,193)	(1,193)
Closing valuation	33	21

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Financial assets designated at fair value through profit or loss (continued)

Significant interests

At 31 March 2010 the Group held a significant holding of at least 20% of the voting rights in the following companies:

Company Name	% held	Accounts made up to	Capital and Reserves £000	Profit after tax £'000	Registered office
AMG Systems	21.9%	31 Dec 09	2,024	548	Brigham House, Biggleswade, Bedfordshire, SG18 0LD
Business HR Solutions	49.9%	31 Aug 09	(305)	11	Edmund House, 27 St James' Road, Dudley, DY1 3JD
Intouch with Health	26.7%	31 Mar 09	(1,230)	(140)	Preston Mill Barn, Siddington, Cirencester, GL7 6ET
Intracite	40.4%	31 Oct 09	26	15	35 Station Approach, West Byfleet, Surrey, KT14 6NF
Meta Vision Systems	48.7%	31 Dec 08	(1,509)	406	Unit 3 Oakfield Industrial Est, Eynsham, OX29 4TH
Stratexec	33.3%	30 Jun 09	(177)	13	The Mill House, Iden Rye, East Sussex, TN31 7PT

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

Company Name	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%
Intouch with Health	Healthcare information	15,327	A Ord	96.0%
Intouch 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	6,330,019	Ord	56.5%
Meta Vision Systems	Machine vision systems	700,000	Prefs	100.0%
Meta Vision Systems	Machine vision systems	1,100,000	D Ords	100.0%
Stratexec	Dormant	60,000	Preferred	33.3%

12. Investments in subsidiaries

Strathdon Investments plc holds 100% of the issued Ordinary share capital of Strathdon Holdings Limited. Strathdon Holdings Limited 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 Company's investment in the shares of its subsidiary companies is set out below:

At 31 March 2010 and 31 March 2009	£000
Cost	8,238
Provision against Strathdon Holdings Limited	(8,238)
Net book value	-

NOTES TO THE FINANCIAL STATEMENTS

continued

13. Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts receivable within one year:				
Trade receivables	37	48	-	-
Amounts owed by group companies	-	-	2,882	3,779
Prepayments and accrued income	8	4	9	5
Other debtors	12	10	-	9
	57	62	2,891	3,793

Trade receivables are assessed for impairment when older than 60 days. As of 31 March 2010 there were £26,000 of trade receivables older than 60 days but not provided against (2009: £48,000).

As of 31 March 2010, trade receivables of £40,000 (2009: £169,000) 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 £57,000 (2009: £62,000). The Group does not hold any collateral as security.

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

	2010 £000	2009 £000
Opening provision	169	1,120
Written off	-	(951)
Release for the year	(129)	-
Closing provision	40	169

The parent company balance sheet includes no provision for impairment of trade receivables in either year.

The credit quality of trade and other receivables reflects that of the investment portfolio i.e. non-investment grade. Credit risk in relation to the Group's banking arrangements is considered in note 25.

14. Financial liabilities

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts payable within one year:				
Bank loan	-	300	-	-
Other loans	141	-	-	-
	141	300	-	-

The bank loan facility was repaid during the year. In the year to 31 March 2010 the loan facility attracted no interest (31 March 2009: the facility attracted no interest).

At 31 March 2010 other loans attracted interest at 9.0% and were not secured on the assets of the Group. The loan is repayable on or before 31 December 2010.

15. Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts payable within one year:				
Trade payables	28	72	19	69
Other taxation and social security	-	6	-	2
Other creditors	98	174	-	52
Accruals and deferred income	311	368	81	89
	437	620	100	212

NOTES TO THE FINANCIAL STATEMENTS

continued

16. Loans

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts payable within more than one year:				
Other loans	-	141	-	-

17. Called-up share capital

	2010		2009	
	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 (2009: 320,000,000)	16,000		16,000	
Issued: 51,817,057 (2009: 51,817,057)		2,591		2,591

18. Net asset value per Ordinary share

The net asset value per Ordinary share is calculated on attributable assets of £2,667,000 (2009: £3,202,000) and 51,817,057 (2009: 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.

19. Reconciliation of Loss before Taxation to Net Cash (Outflow) / Inflow from Operating Activities

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Loss before tax	(535)	(1,768)	(748)	(1,309)
Depreciation	-	-	-	-
Loss on realisation of investments in the year	(69)	-	-	-
Revaluation of investments in the year	518	1,392	-	18
Finance costs	13	35	-	-
Decrease in receivables	5	115	903	1,320
(Decrease) / increase in payables	(190)	65	(113)	30
Net cash (outflow) / inflow from operating activities	(258)	(161)	42	59

20. Analysis of changes in Cash and Cash Equivalents

	31 March	Cash flow £000	Other non cash changes £000	31 March
	2009 £000			2010 £000
Group:				
Cash and cash equivalents	102	60	-	162

NOTES TO THE FINANCIAL STATEMENTS

Continued

20. Analysis of changes in Cash and Cash Equivalents (continued)

	31 March 2009 £000	Cash flow £000	Other non cash changes £000	31 March 2010 £000
Company:				
Cash and cash equivalents	89	(30)	-	59

21. Financial commitments

At 31 March 2010 there were no contingent liabilities in respect of uncalled investment commitments (2009: £nil).

22. Related Party Transactions

The emoluments of S D Hunt are paid to Cornerstone Capital Limited, a company controlled by him.

Transactions took place between the Company and its subsidiaries during the year as follows:

	2010 £000	2009 £000
Charges / (credits) by the Company to its subsidiaries:		
VAT paid on behalf of subsidiaries	7	-
Intercompany loan	(522)	(1,314)
Cash received on disposal of investments held by subsidiaries	(382)	-
Decrease in intercompany balance	(897)	(1,314)
Net balances due from subsidiaries outstanding at the year end	2,882	3,779

Intercompany loans have been provided against so the intercompany receivable in the Company does not exceed the net assets attributable to each of its subsidiaries.

23. Directors and Key Management Compensation

Aggregate compensation for key management, being the directors, was as follows:

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Short Term Employee benefits	40	53	40	53

24. Events after the balance sheet date

There have been no significant events, including investments or realisations, since the balance sheet date.

25. 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 assets as either fair value through profit or loss or loans and receivables.

The investments are valued in accordance with the policy stated on page 8. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

25. Financial Instruments (continued)

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

Group	2010		2009	
Assets as per balance sheet	Loans and receivables £000	Assets at fair value through profit or loss £000	Loans and receivables £000	Assets at fair value through profit or loss £000
Cash	162	-	102	-
Trade and other receivables	57	-	62	-
Investments at fair value through profit or loss	-	3,026	-	4,099
Total Financial Instruments	219	3,026	164	4,099

Group	2010		2009	
Liabilities as per balance sheet			Other financial liabilities £000	Other financial liabilities £000
Bank loan			-	300
Other loans			141	141
Trade and other payables			437	620
Total Financial Instruments			578	1,061

Company	2010		2009	
Assets as per balance sheet	Loans and receivables £000	Assets at fair value through profit or loss £000	Loans and receivables £000	Assets at fair value through profit or loss £000
Cash	89	-	59	-
Trade and other receivables	2,891	-	3,793	-
Investments at fair value through profit or loss	-	33	-	21
Total Financial Instruments	2,980	33	3,852	21

Company	2010		2009	
Liabilities as per balance sheet			Other financial liabilities £000	Other financial liabilities £000
Trade and other payables			100	212
Total Financial Instruments			100	212

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 IAS 39, either in current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS

Continued

25. Financial Instruments (continued)

The maturity of the Group's liabilities is as follows:

Group	2010 £000			2009 £000		
	< 1 Year	1-2 Years	2- 3 Years	< 1 Year	1-2 Years	2 -3 Years
Loans	141	-	-	300	141	-
Trade and other payables	437	-	-	620	-	-
	578	-	-	920	141	-

Company	2010 £000			2009 £000		
	< 1 Year	1-2 Years	2- 3 Years	< 1 Year	1-2 Years	2 -3 Years
Trade and other payables	100	-	-	212	-	-
	100	-	-	212	-	-

At 31 March 2010 and 31 March 2009, the financial assets, by value, comprised:

Group

	2010		2009	
	£000	%	£000	%
Investment held at fair value				
Ordinary shares	1,820	68.3	2,217	69.2
Loan stock	209	7.8	918	28.7
Preferred Ordinary Shares	997	37.4	964	30.1
	3,026	113.5	4,099	128.0
Cash and cash equivalents	162	6.1	102	3.2
Bank loans	-	-	(300)	(9.4)
Other loans	(141)	(5.3)	(141)	(4.4)
Other financial assets	57	2.1	62	1.9
Other financial liabilities	(437)	(16.4)	(620)	(19.3)
	2,667	100.0	3,202	100.0

Company

	2010		2009	
	£000	%	£000	%
Investment held at fair value				
Ordinary shares	33	1.1	21	0.6
Loan stock	-	-	-	-
Preferred Ordinary Shares	-	-	-	-
	33	1.1	21	0.6
Cash and cash equivalents	89	3.1	59	1.6
Other financial assets	2,891	99.2	3,793	103.6
Other financial liabilities	(100)	(3.4)	(212)	(5.8)
	2,913	100.0	3,661	100.0

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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

25. Financial Instruments (continued)

25a Market Risk

Equity Price 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.

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 Company 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 Group's equity investments are traded on AIM. Therefore the Group is not exposed to changes in stock market prices.

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. Investments have been valued in line with the valuation guidelines described on page 8. Those using an earnings multiple methodology include judgements regarding the level of discount applied to that multiple. A 10% decrease in the discount applied would have increased the net assets attributable to the Group's Shareholders and reduced the total loss for the year by £208,000 (7.8% of net assets).

An equal change in the opposite direction would have decreased 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 £296,000 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 and interest payable on the bank facility.

At 31 March 2010 the Group had no outstanding bank loan (2009: loan of £300,000). No interest is now accruing on this loan. If interest rates increased by 1% at 31 March 2010 this would result in additional interest of £nil being paid per annum (2009: £3,000).

Other loans of £141,000 (2009: £141,000) were outstanding at the end of the year. Interest was accrued on these loans at a stepped fixed rate of 9% at the year end (2009: stepped fixed rate of 8%).

The Group has £nil (2009: £nil) of variable rate loan stock in unquoted companies.

NOTES TO THE FINANCIAL STATEMENTS

Continued

25. Financial Instruments (continued)

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

	2010		2009	
	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	7.74%	31	10.99%	6

25b 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 £nil (2009: £nil) provision against trade receivables in the year due to changes in credit risk. Loans have been increased in value by £4,000 (2009: increased in value £70,000) due to 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 Company'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 AMG Systems Ltd which constitutes 38.8% (2009: Meta Vision Systems, 50.8%) of the net assets attributable to the Group's shareholders. The average investment, excluding those suffering full impairment, is 14.2% (2009: 15.1%) of the value of net assets.

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

	2010 £000			2009 £000		
	< 1 Year	1-2 Years	2- 5 Years	< 1 Year	1-2 Years	2 -5 Years
Unquoted Loan Investments	57	59	93	652	183	83

25c Liquidity Risk

The Group invests in financial assets with an aim 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. Additional medium term liquidity is available from realisations of unquoted assets.

NOTES TO THE FINANCIAL STATEMENTS

Continued

25. Financial Instruments (continued)

Fair Value Methods and Assumptions

Detailed valuation policies in respect of the investment portfolio are set out on page 8. 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 periods 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 technology company transactions in 2009 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 technology company transactions in 2009 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.

26. Capital Management

The Company's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can preserve value for shareholders and benefits for other stakeholders; and
- to ensure sufficient liquid resources are available to meet the funding requirements of its investments.

The Group had £141,000 of external debt at 31 March 2010 (2009: £441,000), the remaining capital is represented by the value of share capital, distributable and other reserves. Total shareholder equity at 31 March 2010 was £2,667,000 (2009: £3,202,000).

In order to maintain or adjust its capital structure the Company 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 the capital structure of the business from the previous period. The Company is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

Continued

27. 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 2010, as set out in the table below:

Annual growth in fully diluted NAV	5 year compound growth in fully diluted NAV	%age 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%

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

No options were granted during the year (2009: nil). No options are presently eligible for exercise. No share based payment charge has been made as in the opinion of the directors the vesting criteria will not be met and therefore no options will be capable of being exercised.

Share options have been granted as follows:

	As at 1 April 2008	Granted in year ended 31 March 2009	Forfeited in year ended 31 March 2009	As at 1 April 2009	Granted in year ended 31 March 2010	Forfeited in year ended 31 March 2010	Options outstanding at 31 March 2010
Number of options	2,856,770	-	-	2,856,770	-	-	2,856,770
Weighted average exercise price (pence)	37.8	-	-	37.8	-	-	37.8

NOTICE OF THE ANNUAL GENERAL MEETING

No: 726423

STRATHDON INVESTMENTS plc

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 29 September 2010 at 10.00 am 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 2010.
- (2) To approve the Directors' remuneration report.
- (3) To re-elect as a Director Mr S.D. Hunt.
- (4) To elect as a Director Mr J.R. Cusins, who was appointed as a Director by the Board on 21 July 2010.
- (5) That Grant Thornton UK LLP be appointed as independent auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before 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

- (6) THAT:
 - a) the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £863,618 (one-third of the total issued Ordinary share capital on 31 March 2010) 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
 - b) subject to the passing of Resolution 5a) set out above, the Directors of the Company be and are hereby empowered pursuant to Section 570 of the Act to allot equity securities wholly for cash, (i) in connection with a rights issue; and (ii) otherwise than in connection with a rights issue up to an aggregate nominal amount of £129,543 or 5% of the issued Ordinary share capital 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.
- (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 693(4) of the Act) 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 7,767,377 being 14.99% of issued Ordinary Shares as at 31 March 2010;
 - 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 2011; and

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

- 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
3 September 2010

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 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, Proxies Department, Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, 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 6.00 pm on 27 September 2010, 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 Directors retiring and offering themselves for election or re-election can be found at page 9 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 Act 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 324 of the Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 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 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
STRATHDON INVESTMENTS plc

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 29 September 2010 at 10.00 am

I/Webeing 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)..... ofas my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29 September 2010 at 10.00 am 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			
4. To elect as a director Mr J.R. Cusins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint Grant Thornton UK LLP as auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL RESOLUTIONS	FOR	AGAINST	WITHHELD
6. To authorise the Directors to allot shares	<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.....Dated2010

Please return this form to: Capita Registrars, Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU

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 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.
- (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.
- (e) 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, Proxies Department, Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours before the time appointed for holding the above Meeting or (as the case may be) adjourned Meeting.
- (f) The resolutions are set out in full in the Notice of Annual General Meeting.
- (g) In accordance with Section 324 of the Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 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 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.
- (h) The Vote Withheld option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

