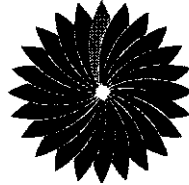


RE-SCAN



INTRINSIC VALUE *plc*

371334

INTRINSIC VALUE PLC  
ANNUAL REPORT 30 JUNE 2000



448 16-10-00

## Report of the Directors

The Directors present their report and financial statements for the period from 17 July 1999 to 30 June 2000. The Company, which was incorporated under the name of Intrinsic Value PLC on 9 February 1999, commenced investment on 17 July 1999.

The Articles of Association provide for the shareholders to consider the winding up of the Company at the Annual General Meeting to be held in 2006. If the cessation resolution is not passed at the Annual General Meeting in 2006 then a similar resolution shall be proposed at each fifth subsequent Annual General Meeting.

### Status and principal activity

The principal activity of the Company is to carry on business as an investment trust. The Company will seek approval from the Inland Revenue as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988, for the period 17 July 1999 to 30 June 2000 and subsequent periods ending 30 June and will direct its affairs accordingly. In accordance with the provisions of Sections 265 and 266 of the Companies Act 1985, the Company is an investment company. The Directors do not envisage any change in this activity in the future.

On 15 July 1999 £25m was raised, before expenses, by a Placing of shares and the issue of 25,000,000 Ordinary shares of 80p at £1 per share.

### Results and dividend

The results for the period and the proposed transfer to revenue reserves are set out in the Statement of Total Return on page 18. The Directors recommend a final dividend of 2.85p for the period.

### Directors

The Directors in office during the period were:

	Date of appointment	Date of resignation
J G West	21 June 1999	—
T J Hitchcock	21 June 1999	13 June 2000
J Hodson	21 June 1999	—
H A Hyman	21 June 1999	—
D P J Ross	21 June 1999	—
B Rout	21 June 1999	—

None of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the period.

## Report of the Directors

All the Directors in office, as shown on page 7 will retire at the Annual General Meeting and, being eligible, will offer themselves for election.

### Directors' beneficial and family interests

The interests of the Directors and their families in the Ordinary shares of the Company are set out below:

	At 30 June 2000	At 16 July 1999
J G West	40,000	40,000
J Hodson	—	—
H A Hyman	10,000	10,000
D P J Ross	25,000	25,000
B Rout	5,000	5,000

There have been no changes to any of the above holdings between 30 June 2000 and the date of this Report.

### Substantial shareholdings

The Directors had been notified of the following substantial interests at the date of this Report:

	Number of Ordinary shares	% of issued share capital
Moore Global Investments Limited	3,200,000	12.8
M&G Smaller Companies Fund	2,000,000	8.0
Phillips & Drew Holdings Limited	1,575,000	6.3
Zurich Financial Services Group†	1,733,350	6.9
Luke Johnson	1,515,625	6.0
AEGON UK plc*	1,450,000	5.8
Mark Horrocks	1,265,625	5.0
Collins Stewart (CI) Limited	1,220,860	4.9
Scottish Value Trust plc	1,150,000	4.6
Quilter Global Growth Fund	1,000,000	3.9

† Zurich Financial Services Group is controlled by Zurich Allied AG and Allied Zurich p.l.c.

\* The interest of AEGON UK plc includes shares held by Guardian Assurance plc.

### Net asset value

The net asset value at 30 June 2000 was 103.21p per share.

### Management and administration agreements

The Company's investments are managed by Intrinsic Value Partnership Limited (IVP) under an agreement dated 7 July 1999. The Company has purchased 20% of the share capital of IVP as a long term investment.

## Report of the Directors

The Company pays IVP in respect of IVP's services as Investment Manager, a quarterly investment management advisory fee payable in arrears on 30 September, 31 December, 31 March and 30 June in each year, equal to 0.25% of the net asset value, valued at the close of business on the last business day of each quarter (together with any applicable VAT). An interim payment on account of the investment management advisory fee is made on the last day of each month and an adjusting payment made when the quarterly management fee has been calculated.

In order to align the interests of the Managers directly with those of the shareholders the Company has granted Warrants to them to subscribe for new Ordinary shares. The terms of the Warrants provide that the number of Ordinary shares for which the Warrants give a right to subscribe will depend on the extent (if any) to which the change in net asset value out-performs the capital return on the FTSE All-Share Index.

At each year end, the Company calculates the performance in that year of the net asset value and the capital return on the FTSE All-Share Index.

If the net asset value has grown and has out-performed the capital return on the FTSE All-Share Index, the number of Ordinary shares for which the Warrants give a right to subscribe will be increased by such number as has a market value equal to the monetary value of 20% of the growth in the net asset value over the period in question.

If the net asset value has decreased, but has nevertheless out-performed the capital return on the FTSE All-Share Index, the number of Ordinary shares for which the Warrants give a right to subscribe will be increased by such number as has a market value equal to (a) 20% of the monetary value of the net asset value at the year end multiplied by (b) a percentage, which reflects the extent to which the net asset value has out-performed the capital return on the FTSE All-Share Index in that year.

The calculation based on the period from 17 July 1999 to 30 June 2000 shows that the number of Ordinary shares for which each of the Warrants give a right to subscribe is 2,899.

The appointment of IVP as Investment Manager is for an initial two year period and is terminable by either party giving to the other not less than 12 months' notice given at any time expiring on or after the second anniversary of the date of admission to the Stock Exchange Official List. In respect of the Warrants, the Managers will be entitled to retain any benefits that have accrued and any further benefits which may accrue notwithstanding the termination of the Management Agreement.

Under an agreement dated 7 July 1999, company secretarial services and the general administration of the Company are undertaken by Sinclair Henderson Limited (SH) for the period to 30 June 2000 for the fee of £35,000 per annum (exclusive of VAT) payable monthly in arrears. The fee is subject to annual review based on the UK Retail Price Index. In the event that there is an increase in the issued share capital of the Company, the fee will be adjusted upwards by agreement between the Company and SH. The agreement may be terminated by either party giving to the other not less than six months' notice at any time.

## Report of the Directors

### Payment of suppliers

It is the Company's payment policy to obtain the best possible terms for all business and therefore there is no consistent policy as to the terms used. The Company agrees with its suppliers the terms on which business will take place and it is our policy to abide by those terms. There were no trade creditors at 30 June 2000.

### Corporate governance

The Company is committed to high standards of corporate governance as set out in the Combined Code on Corporate Governance issued by the UK Listing Authority. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Code.

### *Compliance with the Combined Code ("the Code")*

The Board has reviewed the Code and considers that the Company has established procedures to ensure that it complies in all material respects with the Code throughout the period ended 30 June 2000, subject to the exceptions discussed below and its special status as an investment trust.

The Board has noted the guidance for Directors on the wider aspects of internal control, as produced by the Turnbull Committee, and will report on all aspects of internal controls, including operational and compliance controls and risk management, in its next annual report for the year to 30 June 2001 by which time they expect to have put in place procedures to enable full compliance. The Board has taken advantage of the implementation arrangements and, until that time, will continue to review and report on the Company's system of internal financial controls.

The Board consists of five Directors, all of whom are non-executive and independent of the Manager. Biographies of the Directors appear on page 7. It is not deemed necessary to appoint a senior non-executive Director given the size and nature of the Company. The Directors review at each Board Meeting the Company's investments and all other important issues to ensure that control is maintained over the Company's affairs.

The procedures were formalised in August 1999 in a schedule of matters specifically reserved for the Board's approval, which has been adopted since then for all Meetings.

### *Committees*

The Audit Committee under the Chairmanship of Mr J West comprises all Board members and operates within clearly defined terms of reference. It provides a forum through which the Company's external Auditors report to the Board of Directors.

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties and, as such, this function is not felt appropriate, however the need for one is reviewed periodically.

The Management Engagement Committee under the Chairmanship of Mr J West comprises all Board members and is responsible for reviewing the terms of the Investment Manager's contract.

Review of new Board appointments is a subject for the whole Board to monitor and consider. The Board

## Report of the Directors

meets as and when required. At 30 June 2000 there were no Directors' service agreements and no Director had been granted any options to acquire shares in the Company.

The Board has not appointed a Remuneration Committee as recommended by the Code because the Company has no executive Directors or senior executives as the management of the Company is carried out by IVP under the management agreement.

In addition, the Board has formalised the arrangements under which Directors, in the furtherance of their duties, may take independent professional advice.

### *Going concern*

The Directors are of the opinion that it is appropriate to presume that the Company will continue in business for the foreseeable future and accordingly have continued to adopt the going concern basis in preparing the financial statements.

### *Internal controls*

The Board is responsible for establishing and maintaining the Company's system of internal financial control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their very nature provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which have been established to provide effective internal financial control are as follows:

- investment management is provided by Intrinsic Value Partnership Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Investment Manager at regular Board Meetings;
- Sinclair Henderson Limited is responsible for the provision of administration and company secretarial duties for the Company;
- custody of assets is undertaken by HSBC Bank plc;
- the duties of investment management, accounting and the custody of assets are segregated. The procedures of the individual parties are designed to complement one another;
- the Directors of the Company clearly define the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their ongoing performance and contractual arrangements;
- mandates for the authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Investment Manager and the administrator in detail on a regular basis.

The Board has carried out a review of the effectiveness of the system of internal financial control as it has operated since incorporation.

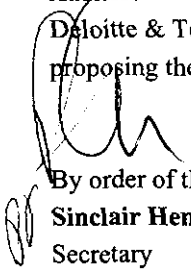
## **Report of the Directors**

### **Annual General Meeting**

The Notice of Annual General Meeting is set out on pages 36 and 37.

### **Auditors**

Deloitte & Touche have expressed their willingness to continue in office as Auditors and a resolution proposing their re-appointment will be submitted at the forthcoming Annual General Meeting.



By order of the Board

**Sinclair Henderson Limited**

Secretary

*6 September 2000*

### **Statement of Directors' responsibilities in respect of the accounts**

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the net revenue for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors have confirmed that the Financial Statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal financial control, for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Report of the Auditors**

to the members of Intrinsic Value PLC

We have audited the financial statements on pages 18 to 33 which have been prepared under the accounting policies set out on pages 21 and 22.

### **Respective responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report, including as described on page 15, the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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

We review whether the statement on pages 12 and 13 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to form an opinion on the effectiveness of either the Company's corporate governance procedures or its internal controls.

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

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

**Report of the Auditors**

to the members of Intrinsic Value PLC

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2000 and of its total return for the period from 17 July 1999 to 30 June 2000 and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

**Deloitte & Touche**

Chartered Accountants and

Registered Auditors

London

*6 September 2000*

**Statement of total return** (incorporating the revenue account\*) of the Company  
for the period from 17 July 1999 to 30 June 2000†

	Note	17 July 1999 to 30 June 2000			9 February 1999 to 16 July 1999		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gain on investments	10	—	1,364	1,364	—	—	—
Income	2	1,134	—	1,134	—	—	—
Investment management fee	3	(77)	(231)	(308)	—	—	—
Other expenses	4	(214)	—	(214)	—	—	—
<b>Return on ordinary activities before finance costs and taxation</b>		<b>843</b>	<b>1,133</b>	<b>1,976</b>	—	—	—
Interest payable and similar charges	6	—	—	—	—	—	—
<b>Return on ordinary activities before taxation</b>		<b>843</b>	<b>1,133</b>	<b>1,976</b>	—	—	—
Taxation on ordinary activities	7	(43)	43	—	—	—	—
<b>Return on ordinary activities after taxation for the financial period</b>		<b>800</b>	<b>1,176</b>	<b>1,976</b>	—	—	—
Dividend proposed	8	(714)	—	(714)	—	—	—
<b>Transfer to reserves</b>		<b>86</b>	<b>1,176</b>	<b>1,262</b>	—	—	—
		Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
<b>Return per Ordinary share</b>							
Basic and diluted	9	3.19	4.69	7.88	0.00	0.00	0.00

\* The revenue column of this statement is the Revenue Account of the Company.


† The Company was incorporated on 9 February 1999 and commenced activities on 17 July 1999.

All revenue and capital items in the above statement derive from continuing operations.

**Balance sheet**  
as at 30 June 2000

		30 June 2000 £'000	16 July 1999 £'000
	Note		
<b>Fixed assets</b>			
Investments	10	23,153	—
<b>Current assets</b>			
Debtors	12	99	—
Cash at bank		3,672	24,694
		<u>3,771</u>	<u>24,694</u>
<b>Creditors – amounts falling due within one year</b>	13	344	79
Dividends payable		714	—
		<u>1,058</u>	<u>79</u>
<b>Net current assets</b>		<u>2,713</u>	<u>24,615</u>
<b>Total net assets</b>		<u>25,866</u>	<u>24,615</u>
<b>Share capital and reserves</b>			
Called up share capital	14	20,050	20,050
Share premium account	15	4,554	4,565
Capital reserve – realised	15	1,176	—
— unrealised	15	—	—
Revenue reserve	15	86	—
<b>Equity shareholders' funds</b>	16	<u>25,866</u>	<u>24,615</u>
<b>Net asset value per Ordinary share</b>	19	<u>103.21p</u>	<u>98.21p</u>

These financial statements were approved by the Board of Directors on 6 September 2000, and signed on its behalf by:

  
**James West**  
Chairman

The notes on pages 21 to 33 form part of these financial statements.

**Statement of cash flows**

for the period from 17 July 1999 to 30 June 2000†

		17 July 1999 to 30 June 2000	9 February 1999 to 16 July 1999
	Note	£'000	£'000
<b>Operating activities</b>			
Investment income received		536	—
Deposit interest received		503	—
Investment management fees paid		(293)	—
Secretarial fees paid		(36)	—
Other cash payments		(133)	—
<b>Net cash inflow from operating activities</b>	17	<u>577</u>	<u>—</u>
<b>Taxation</b>			
Tax recovered		—	—
<b>Taxation recovered</b>		<u>—</u>	<u>—</u>
<b>Capital expenditure and financial investment</b>			
Purchases of investments		(27,680)	—
Sales of investments		6,171	—
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(21,509)</u>	<u>—</u>
<b>Management of liquid resources</b>			
Increase in short term deposits	18	(2,045)	—
<b>Net cash outflow before financing</b>		<u>(22,977)</u>	<u>—</u>
<b>Financing</b>			
Proceeds of Ordinary share issue		—	25,050
Expenses of issue		(90)	(356)
<b>Net cash (outflow)/inflow from financing</b>		<u>(90)</u>	<u>24,694</u>
<b>Net cash (outflow)/inflow after financing</b>		<u>(23,067)</u>	<u>24,694</u>
<b>(Decrease)/increase in cash</b>	18	<u>(23,067)</u>	<u>24,694</u>

† The Company was incorporated on 9 February 1999 and commenced activities on 17 July 1999.

The notes on pages 21 to 33 form part of these financial statements.

## **Notes to the financial statements**

for the period from 17 July 1999 to 30 June 2000

### **1 ACCOUNTING POLICIES**

#### **Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of fixed asset investments and are prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice for financial statements for Investment Trust Companies.

#### **Income recognition**

Dividends receivable on quoted equity and non-equity shares are included in the financial statements when the investments concerned are quoted 'ex-dividend'. The Company has adopted Financial Reporting Standard No. 16: Current Taxation, which states that UK dividends must be disclosed excluding the associated tax credit. Dividends receivable on equity and non-equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective yield on the debt security. All other income is included on an accruals basis.

#### **Expenses and finance costs**

All expenses are accounted for on an accruals basis and charged through the Revenue Account in the Statement of Total Return except as follows:

- management expenses and finance costs are allocated 75% to capital reserve and 25% to revenue in the Statement of Total Return, being in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.
- expenses which are incidental to the acquisition of an investment are included within the cost of the investment; and
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

#### **Foreign currency transactions**

Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the date of the transaction.

Investments are converted to Sterling at the rates of exchange ruling at the Balance Sheet date. Exchange gains and losses relating to investments are taken to the capital reserve. Realised and unrealised exchange gains and losses on non-capital assets or liabilities are taken to the Statement of Total Return in the period in which they arise.

## Notes to the financial statements

for the period from 17 July 1999 to 30 June 2000

### Investments

Quoted investments are included in the Balance Sheet at mid-market value at the close of business at the period end. Unquoted investments including any warrants attaching thereto are valued at Directors' valuation.

Any unrealised profits and losses are taken directly to the capital reserve – unrealised. Any realised profits and losses arising on the disposal of investments are also taken directly to the capital reserve – realised.

### Taxation

The charge for taxation is based on the net revenue for the period. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on the same basis as the particular item to which it relates, using the Company's effective rate of tax for the accounting period.

### Capital reserves

#### *Capital reserve (realised)*

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature; and
- expenses, together with related taxation effect, charged to this account in accordance with the above policies.

#### *Capital reserve (unrealised)*

The following are accounted for in this reserve:

- increases and decreases in the valuation of the investments held at the period end.

**Notes to the financial statements**  
for the period from 17 July 1999 to 30 June 2000

**2 INCOME**

	17 July 1999 to 30 June 2000 £'000	9 February 1999 to 16 July 1999 £'000
<b>Income from investments</b>		
UK net dividend income	628	—
<b>Other income</b>		
Bank interest receivable	506	—
<b>Total income</b>	<b>1,134</b>	<b>—</b>
Total income comprises:		
Dividends	628	—
Interest	506	—
Other	—	—
	<b>1,134</b>	<b>—</b>

**3 INVESTMENT MANAGEMENT FEE**

	17 July 1999 to 30 June 2000			9 February 1999 to 16 July 1999		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	65	197	262	—	—	—
Irrecoverable VAT thereon	12	34	46	—	—	—
	<b>77</b>	<b>231</b>	<b>308</b>	<b>—</b>	<b>—</b>	<b>—</b>

The investment management advisory fee is calculated at the rate of 0.25% of the net asset value of the Company, valued at the close of business on the last business day of each quarter and is payable in arrears on 30 September, 31 December, 31 March and 30 June in each year. An interim payment of the investment management advisory fee is made on the last day of each month and an adjusting payment made when the quarterly fee has been calculated. At 30 June 2000 there was £16,000 outstanding (1999: £Nil).



**Notes to the financial statements**

for the period from 17 July 1999 to 30 June 2000

<b>4 OTHER EXPENSES</b>	<b>17 July 1999 to 30 June 2000 £'000</b>	<b>9 February 1999 to 16 July 1999 £'000</b>
Secretarial services	40	—
Auditor's remuneration for audit	15	—
Directors' remuneration	80	—
Other expenses	79	—
	<u>214</u>	<u>—</u>

In addition to the above, fees paid to the Auditors totalling £21,150 (1999: £nil) were charged against the share premium account during the period in connection with the share issue.

<b>5 DIRECTORS' REMUNERATION</b>	<b>17 July 1999 to 30 June 2000 £</b>	<b>9 February 1999 to 16 July 1999 £</b>
Remuneration to Directors:		
James West (Chairman)	18,375	—
Terry Hitchcock	11,802	—
Harry Hyman	12,333	—
John Hodson	12,333	—
David Ross	12,333	—
Brian Rout	12,333	—
	<u>79,509</u>	<u>—</u>
Total fees		

Included in the amounts shown above is the sum of £37,000 (1999: £nil) which was paid to third parties for making available the services of Directors.

<b>6 INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>17 July 1999 to 30 June 2000 £'000</b>	<b>9 February 1999 to 16 July 1999 £'000</b>
Interest payable	<u>—</u>	<u>—</u>

**Notes to the financial statements**  
for the period from 17 July 1999 to 30 June 2000

**7 TAXATION ON ORDINARY ACTIVITIES**

	17 July 1999 to 30 June 2000			9 February 1999 to 16 July 1999		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax at 20%	43	(43)	—	—	—	—

**8 DIVIDENDS**

	17 July 1999 to 30 June 2000 £'000	9 February 1999 to 16 July 1999 £'000
On Ordinary shares		
Final Dividend proposed of 2.85p (1999: nil)	714	—

**9 RETURN PER ORDINARY SHARE**

	17 July 1999 to 30 June 2000			9 February 1999 to 16 July 1999		
	Net return £'000	Ordinary shares	Per share pence	Net return £'000	Ordinary shares	Per share pence
<b>Revenue</b>						
Basic and diluted return per share	800	25,062,500	3.19	—	25,062,500	0.00
<b>Capital</b>						
Basic and diluted return per share	1,176	25,062,500	4.69	—	25,062,500	0.00

There is no diluted return per share, because the Warrant conversion (as described in note 14) is anti-dilutive in accordance with the provisions of Financial Reporting Standard No. 14: Earnings per share.

Further details relating to the Warrants are provided on page 11 of the Report of the Directors, and in note 14.

**10 INVESTMENTS**

	30 June 2000 £'000	16 July 1999 £'000
Investments		
– Traded on AIM	4,189	—
– Traded on OFEX	2,688	—
– Listed on the London Stock Exchange	15,698	—
– Unquoted	578	—
	<u>23,153</u>	<u>—</u>

**Notes to the financial statements**

for the period from 17 July 1999 to 30 June 2000

<b>10 INVESTMENTS (continued)</b>	<b>30 June</b>	<b>16 July</b>
	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of investment portfolio movements</b>		
Opening book cost	—	—
Opening unrealised depreciation	—	—
	<hr/>	<hr/>
	—	—
 Movements in the period:		
Purchases at cost	27,960	—
Sales		
— Proceeds	(6,171)	—
— Realised gains on sales	1,364	—
Increase in unrealised appreciation	—	—
	<hr/>	<hr/>
Closing valuation	23,153	—
	<hr/>	<hr/>
Closing book cost	23,153	—
Closing unrealised appreciation	—	—
	<hr/>	<hr/>
	23,153	—
	<hr/>	<hr/>
Realised gains on sales of investments	1,364	—
Increase in unrealised appreciation	—	—
	<hr/>	<hr/>
Gains on investments	1,364	—
	<hr/>	<hr/>

A list of the top ten portfolio holdings by their aggregate market values is contained within the Investment Manager's report section of the Annual Report.

The Company owns 20% of the issued Ordinary share capital of Intrinsic Value Partnership Limited, a company registered in England and Wales. The issued share capital of this company comprises 100 Ordinary shares of £1 each. The investment in this company is currently valued at cost. In the Directors' opinion this company is not an associated company as defined by Financial Reporting Standard No. 9: Associates and Joint Ventures.

**Notes to the financial statements**

for the period from 17 July 1999 to 30 June 2000

**11 SIGNIFICANT INTERESTS**

The Company had a holding representing 3% or more ownership of the following companies' securities:

Security	Percentage held by Company
Booth Industries Group, Ord. 25p	15.45%
MediaKey, Ord. 1p	10.86%
Glenchewton, Ord. 10p	10.73%
Trace Computers, Ord. 5p	9.37%
European Motor Holdings, Ord. 40p	8.46%
Clipserver.com, Ord. 2p	7.56%
Greenchip Investments, Ord. 1p	7.32%

**12 DEBTORS – amounts falling due within one year**

	30 June 2000 £'000	16 July 1999 £'000
Dividends receivable	92	—
Accrued income	3	—
Prepayments and other debtors	4	—
	<u>99</u>	<u>—</u>

**13 CREDITORS – amounts falling due within one year**

	30 June 2000 £'000	16 July 1999 £'000
Amounts due to brokers	280	—
Other creditors	64	79
	<u>344</u>	<u>79</u>

**Notes to the financial statements**

for the period from 17 July 1999 to 30 June 2000

**14 CALLED UP SHARE CAPITAL**

	30 June 2000 £'000	16 July 1999 £'000
Authorised:		
48,875,000 Ordinary shares of 80p each	<u>39,100</u>	<u>39,100</u>
Allotted, called up and fully paid:		
25,062,500 Ordinary shares of 80p each	<u>20,050</u>	<u>20,050</u>

**Warrants**

Pursuant to a Warrant Instrument of the Company dated 2 July 1999, 100 Warrants have been issued. Each Warrant will give the holder (subject to performance conditions as set out in the Report of the Directors) the right to subscribe for additional Ordinary shares at a price of £1 per share for 1% of the aggregate number (if any) of Ordinary shares which become available for issue upon exercise of the Warrants at any time until 2 July 2006.

Applying the provisions of the Warrant Instrument, at the end of the period each Warrant gives the right to subscribe for 2,899 Ordinary shares. To date no Warrants have been exercised.

**15 RESERVES**

	Share premium £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
As at 17 July 1999	4,565	—	—	—
Net gains on realisation of investments	—	1,364	—	—
Increase in unrealised appreciation	—	—	—	—
Costs charged to capital	—	(231)	—	—
Tax relief on costs charged to capital	—	43	—	—
Costs of share issue	(11)	—	—	—
Retained net revenue for the period	—	—	—	<u>86</u>
As at 30 June 2000	<u>4,554</u>	<u>1,176</u>	<u>—</u>	<u>86</u>

**Notes to the financial statements**  
for the period from 17 July 1999 to 30 June 2000

<b>16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>	<b>17 July 1999 to 30 June 2000 £'000</b>	<b>9 February 1999 to 16 July 1999 £'000</b>
<b>Revenue reserve</b>		
Retained net revenue for the period	<u>86</u>	<u>—</u>
<b>Capital reserve</b>		
Movement in capital reserve	<u>1,176</u>	<u>—</u>
<b>Share capital and premium</b>		
Share capital issued	—	20,050
Share premium on allotment of shares	—	5,000
Expenses of issue	<u>(11)</u>	<u>(435)</u>
	<u>(11)</u>	<u>24,615</u>
Net addition to shareholders' funds	1,251	24,615
Opening shareholders' funds	<u>24,615</u>	<u>—</u>
Closing shareholders' funds	<u>25,866</u>	<u>24,615</u>
<b>17 RECONCILIATION OF NET REVENUE BEFORE FINANCE COSTS AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>17 July 1999 to 30 June 2000 £'000</b>	<b>9 February 1999 to 16 July 1999 £'000</b>
Net revenue before finance costs and taxation	843	—
Investment management fee charged to capital	(231)	—
Increase in creditors and accruals	64	—
Increase in prepayments and accrued income	<u>(99)</u>	<u>—</u>
	<u>577</u>	<u>—</u>

**Notes to the financial statements**

for the period from 17 July 1999 to 30 June 2000

**18 RECONCILIATION OF NET CASH FLOW TO  
NET FUNDS**

	17 July 1999 to 30 June 2000 £'000	9 February 1999 to 16 July 1999 £'000
(Decrease)/increase in cash during the period	(23,067)	24,694
Increase in short-term deposits during the period	<u>2,045</u>	<u>—</u>
Change in net funds	(21,022)	24,694
Opening net funds	<u>24,694</u>	<u>—</u>
Closing net funds	<u>3,672</u>	<u>24,694</u>

	17 July 1999	Cash Flow	30 June 2000
Net funds are comprised as follows:			
Cash at bank	24,694	(23,067)	1,627
Short-term deposits	<u>—</u>	<u>2,045</u>	<u>2,045</u>
	<u>24,694</u>	<u>(21,022)</u>	<u>3,672</u>

**19 NET ASSET VALUE PER ORDINARY SHARE**

The basic and diluted net asset value per Ordinary share is based on net assets of £25,866,000 (1999: £24,615,000) and on 25,062,500 (1999: 25,062,500) Ordinary shares, being the number of shares in issue at the period end.

**20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 June 2000, there were no capital commitments or contingent liabilities. (16 July 1999: £nil).

**Notes to the financial statements**  
for the period from 17 July 1999 to 30 June 2000

**21 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES**

The Company's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income.

The Company has little exposure to credit and cash flow risk.

The Company finances its operations through its issued capital and existing reserves and has little exposure to interest rate risk.

The principal risks the Company faces in its investment portfolio management activities are:

- market price risk, i.e. movements in the value of investment holdings caused by factors other than interest rate movement.
- liquidity risk.
- foreign currency risk.

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the period:

**Policy**

**(i) Market price risk**

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the Investment Manager.

A small proportion of the Company's portfolio is invested in overseas securities and movements in the US\$ can affect their Sterling value. The Company does not normally hedge against foreign currency movement affecting the value of the investment portfolio, but takes account of this risk when making investment decisions.

The Directors are conscious of the fact that the nature of investments are such that prices can be volatile. Investors should be aware that the Company is exposed to a higher rate of risk than exists within a fund which holds traditional blue-chip securities.

Adherence to the investment objectives and the limits on investment set by the Company mitigates the risk of excessive exposure to any one particular type of security or issuer.



**Notes to the financial statements**

for the period from 17 July 1999 to 30 June 2000

**21 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)****(ii) Liquidity risk**

The Company's investments are in small companies which are less liquid than larger companies. As at 30 June 2000, the Company had a cash position of £3,672,000 (16 July 1999: £24,694,000).

As required by Financial Reporting Standard No.13: Derivatives and other financial instruments, an analysis of financial assets and liabilities, which identifies the risk of holding such items, is given below.

**Financial assets**

The Company holds fixed asset investments which are traded on AIM, OFEX or the London Stock Exchange. The majority of the Company's assets are in Sterling and accordingly the Company has only a small direct currency exposure.

The interest rate profile of the Company's financial assets at 30 June 2000 was:

	Total £'000	Financial assets on which no interest is paid £'000	Floating rate financial assets £'000
Sterling investments	22,942	22,942	—
Cash	3,672	—	3,672
Debtors	99	99	—
	<u>26,713</u>	<u>23,041</u>	<u>3,672</u>
Currency connected to the US\$ Investments	211	211	—
	<u>26,924</u>	<u>23,252</u>	<u>3,672</u>

**Notes to the financial statements**  
for the period from 17 July 1999 to 30 June 2000

**21 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (continued)**

The cash at bank interest rates and maturity dates are as follows:

	£'000	%	Maturity
Barclays Bank	1,045	4.0	1 July 2000
Singer & Friedlander	1,000	5.9375	31 July 2000
HSBC Global Investor Services	1,627	5.5*	on demand
	<u>3,672</u>		

\* Based on HSBC Global Investor Services' mid rate less 0.5% updated daily. No interest is receivable for balances less than £25,000.

The interest rate profile of the Company's financial assets at 16 July 1999 was:

	Total £'000	Financial assets on which no interest was paid £'000	Floating rate financial assets £'000
Cash	<u>24,694</u>	<u>—</u>	<u>24,694</u>

**Financial liabilities**

Primarily the Company finances its operations through its issued capital and existing reserves. The only financial liabilities of the Company are creditors which are due within one year, as disclosed in note 14. No interest is paid on these liabilities and they are all in Sterling.

**Fair values of financial assets and financial liabilities**

All of the financial assets and liabilities of the Company are held at fair value.

**22 RELATED PARTY TRANSACTIONS**

Under the terms of an agreement dated 7 July 1999, the Company has appointed Intrinsic Value Partnership Limited to be the Investment Manager. The fee arrangements for these services and fees payable are set out in note 3.