

Company Number: 5020752

iimia Investment Trust PLC

Annual Report for the year ended
30 April 2007

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Investment Objective and Policy

Imia Investment Trust PLC (the Company) is an investment trust which was launched on 6 April 2004

The Company does not have a fixed life but the Articles of Association provide for the continued life of the Company to be proposed at the fifth Annual General Meeting and at every third Annual General Meeting thereafter

Capital Structure

The Company's share capital consists of Ordinary shares of 1p each

The number of shares in issue as at 30 April 2007 was 31,243,945 of which 638,727 were held in Treasury

Investment Objective

The investment objective of the Company is to achieve absolute returns, principally through investing in closed-ended funds

Investment Policy

What we invest in

The Company is a 'multi-asset' fund of funds

We invest globally in a wide range of assets, including equities, property, fixed interest, commodities and cash

We do this primarily through investment in closed-ended funds. We also hold open-ended funds when appropriate

The strategies we use

The Company's portfolio is 'long-only'

We may use financial instruments to 'hedge' part of the risk in a portfolio investment. For example, we may use an index future to hedge unintended market risks in order to isolate the stock-specific opportunity in a portfolio investment

We do not normally 'sell short', that is, we do not normally sell investments (or investment risks) that are not already in the portfolio

How we measure our success

We aim to out-perform 3 month LIBOR + 2%. This cash-related benchmark gives us the freedom to invest in whichever assets we believe will give our shareholders the best returns in exchange for a reasonable degree of risk

We seek to beat the benchmark year in year out, but we do not guarantee to achieve positive returns over any time period

Suitability

The Company may be suitable for long-term investors who understand the risks and the investment opportunities in its 'multi-asset' portfolio

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Company Summary

Objective and policy	Presented on the inside front cover
Benchmark	3 month LIBOR plus 2%, as at commencement of performance period
Management Company	imia plc See page 42 for further details
Total net assets	£49,078,000 as at 30 April 2007
Market capitalisation	£48,193,785 as at 30 April 2007
Capital structure	31,243,945 Ordinary 1p shares as at 30 April 2007
Continuation vote	2010
Management fee	0.5% per annum of adjusted market capitalisation of the Company, valued at the close of business on the last business day of each month See page 13 for further details
Performance fee	15% of the growth of the adjusted net asset value per share in excess of a hurdle of 3 month LIBOR plus 2% See page 13 for further details
Total expense ratio	1.1% (1.1% if performance fee is included)
PEP/ISA status	The Company is fully eligible for inclusion in PEPs and ISAs
AIC	The Company is a member of the Association of Investment Companies

Summary of Results

	30 April 2007	30 April 2006	% change
Net assets	£49.08m	£32.86m	
Net asset value per Ordinary share	160.36p	152.01p	5.49%
3 month LIBOR plus 2%†	6.67%	6.94%	
Share price	154.25p	154.25p	0%
(Discount)/premium to net asset value	(3.81)%	1.47%	
	Year ended	Year ended	
	30 April 2007	to 30 April 2006	
Total return per Ordinary share	11.29p	41.92p	(73.07)%

† As at commencement of performance period

Directors and Advisers

Directors (all non-executive)

Anthony Townsend, 59, Chairman Anthony Townsend has spent over 35 years working in the City and was chairman of the Association of Investment Companies from 2001 to 2003. He is chairman of British and American Investment Trust PLC and a non-executive director of Brit Insurance Holdings Plc, F&C Global Smaller Companies PLC, RCM Technology Trust plc and three Finsbury investment trusts. He is a member of the Council of Lloyds.

James Fox, 64 James Fox has over 35 years experience in investment management and the investment trust industry. He is a past deputy chairman of the Association of Investment Companies and a past chairman of the Association's Tax Committee. He is a non-executive director of JP Morgan American Investment Trust plc (also chairman of the Audit Committee).

Nick Hodgson, 45 Nick Hodgson has over 20 years experience in sales and marketing of collective investment vehicles to both UK and overseas investors. From 2000 – 2003 he was a director of Rothschild Asset Management Limited, responsible for all retail activities and a member of its executive committee. Between 2003 and early 2007 he was the sales and marketing director for Framlington and subsequently head of closed-ended funds for AXA Framlington, and sat on its executive committee. He was also a director of the Framlington AIM VCT plc and Framlington AIM VCT 2 plc.

Michael Phillips, 45 Michael Phillips co-founded Christows Limited ('Christows') in 1991 and in a period of nine years built Christows into a group with funds under management of over £500 million on behalf of approximately 3,000 clients. He was responsible for the day-to-day operations of Christows until January 2001 when, following the acquisition of Christows by the Evolution Group plc, he left to form imia plc. He is a Fellow of the Securities Institute.

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Secretary and Registered Office

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Investment Manager

imia plc
23 Cathedral Yard
Exeter EX1 1HB
Telephone 01392 475900
Website www.imia.co.uk

Auditors*

RSM Robson Rhodes LLP
30 Finsbury Square
London EC2P 2YU

Stockbrokers and Financial Advisers

Intelli Corporate Finance Limited
63 Queen Victoria Street
London EC4N 4UA

Bankers and Custodians

Bank of New York
One Canada Square
London E14 5AL

Registrar and Transfer Office

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

* See page 15

An investment company as defined under Section 266 of the Companies Act 1985
Registered in England No 5020752
A member of the Association of Investment Companies

Chairman's Statement

The Company commenced trading on 6 April 2004, and it is my pleasure to put before you the third annual report for your Company covering the year 1 May 2006 to 30 April 2007

Investment Performance

Following last year's 39.0% NAV gain, the current year has proved to be one of consolidation, during which your Company's net asset value increased from 152.0p to 160.4p, a gain of 5.5%. Over the same period the MSCI World Index (in sterling) rose by 4.5%. Our benchmark, being 3 month LIBOR plus 2.0% increased by 6.7%, so no performance fee was payable. This illustrates the responsive nature of your Company's fee structure which aligns the interests of the Manager and shareholders. In a 'quiet' year, only the basic management fee of 0.5% is payable.

Share Issues

In May 2006, 509,095 new shares were issued under an authorised block listing at 147.3p per share. In June 2006, 9,115,966 shares were issued pursuant to a placing and offer at 145.9p per share. This significant increase in the size of your Company had the benefits of both improving the liquidity in its shares and reducing its total operating expense ratio from 1.3% to 1.1%. Intelli Corporate Finance Ltd, who acted as sponsor to the stock issue, were subsequently appointed as the Company's stock broker and financial advisers.

Discount Management and Buy-Backs

During the year the Board introduced a discount management policy under which buy-backs would be considered in the event of the move to a discount level in excess of 3.0%. A total of 638,727 shares were bought in the market and subsequently placed into Treasury. Since the end of the year under review a further 345,400 have been purchased and these are also held in Treasury. According to Bloomberg our shares traded at an average discount of 2.1% during the year under review.

Investment Policy

The Company's investment objective is to achieve absolute returns, through exploiting inefficiencies in the pricing of closed-end funds. The Board proposed at last year's Annual General Meeting that the Company's investment mandate be broadened to permit it to invest in all types of open-ended funds onshore and offshore and in any class of security in an investment fund so that the Investment Manager had access to opportunities within the open-ended funds sector. The Board limited investment in such funds to a maximum of 25.0% of the portfolio and at the year end 2.8% of our portfolio was invested in this way. This flexibility allows us to invest in asset classes where discount risk is high. This is often because we are in agreement with current market consensus and sentiment is positive. One of our current open ended positions is Impax Environmental Markets. This fits our theme that the world has insufficient resources to cope with the industrialisation of many former emerging economies. Shares in Impax's sister investment trust have typically traded on a 5.0% premium during recent months making, in our opinion, the open ended fund better value.

Dividends

The nature of the Company's portfolio during the year under review was such that little income was produced so the Company, as in previous years, does not propose to pay a dividend in respect of this year.

Interim Management Statements

In accordance with the new Disclosure and Transparency Rules, the Company will issue Interim Management Statements. The Company will issue these in respect of the quarters ending 31 July and 31 January in addition to the announcements of the half year and annual results. These statements will be available at the Company's website at www.iriainvestmenttrust.co.uk

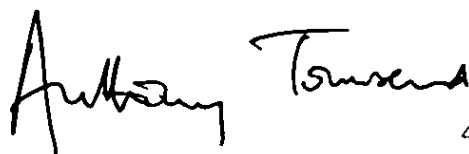
Outlook

The Manager's Report details the events of the year under review, and looking forward, highlights the need to balance the inevitable risks following a four year bull phase in world wide stock markets against the opportunities created by structural change in the closed-ended sector.

Annual General Meeting

The Annual General Meeting will be held on Thursday 27 September 2007 at 12 noon at The City of London Club and the Directors look forward to seeing as many shareholders as possible.

Anthony Townsend Chairman
27 July 2007



Manager's Report

In last year's Manager's Report, I commenced by commenting that "the period under review had witnessed some of the most benign conditions that investors had seen in recent memory" and closed by pointing out that "it will be important to keep our nerve during what promises to be a difficult summer" Our net asset value had risen by over 39% during that financial year and a period of consolidation was overdue We reacted to the inevitable setback by building conviction within our portfolio, concentrating on the very names, such as SR Europe and Artemis Alpha, which had been hit hardest during the correction This strategy helped the Company become one of the best performers within its peer group of globally investing funds during the second half, despite having a cash rather than an index benchmark Given that equities have been rising almost without interruption since March 2003, funds that offer risk adjusted returns have become somewhat unfashionable Investors have lost sight of the fact that stockmarkets can move sideways or even fall Commentators are rejoicing at the expected arrival of a wall of private equity money from the likes of Blackstone, KKR and Texas Pacific Therefore it is not surprising that high risk strategies are in demand

It should not be forgotten that the concept behind the launch of iimia Investment Trust was to hedge away unintended risks, retaining those with which we felt comfortable During the first three years, it would have been more profitable to run all the risks that came with the investments we made However, we have achieved our performance with levels of share price volatility around half the level of Foreign and Colonial Investment Trust, the FTSE Equity Instruments Index and the FTSE100 over the same period

Looking forward, the outlook is very different from last year, when we felt that we were in the midst of a buying opportunity Interest rates have risen to the point where returns from cash have become worthwhile for the first time for some years, this may eventually take its toll on markets Trusts specialising in property have already declined sharply However, the continuing trend by institutions to move away from traditional balanced mandates in favour of leveraged private equity and hedge funds ensures that plenty of cash is looking for a home

In the aftermath of the Technology, Media and Telecoms ('TMT') bubble, interest rates fell sharply, there was an opportunity to borrow cheaply at a time when equities were lowly rated The fact that earnings yields stood vastly higher than the cost of borrowing meant that private equity offered a simple arbitrage Furthermore, the rewards could easily be magnified by the use of leverage Whilst we are enjoying the momentum, we should be acutely aware that the fundamental rationale which triggered this phenomenon has passed and we should be alert to the dangers

The closed-ended sector has been enjoying boom conditions According to Winterflood Securities, between the start of the last quarter of 2005 and the end of the first quarter this year, £6.5 billion of new issuance occurred This contrasts dramatically with conditions within the sector at the time when the iimia Investment Trust was launched Recently, the weight of new paper has led to buyer fatigue, it has become noticeably more difficult to launch new funds This development, combined with some failure by boards to honour indicated discount control mechanisms, has triggered a general widening in discounts If boards fail to control the level of trust discounts, they merely provide an opportunity for arbitrageurs to build stakes Once a share register is populated by hostile names, it becomes extremely difficult to salvage the situation, inevitably we will see more hostile corporate situations similar to recent events at Gartmore European and Templeton Emerging Markets This activity will ensure that the level of discounts will return to former levels It is generally not our policy to engage in activist strategies, but inevitably from time to time we will find ourselves in a position where one of our investee funds is giving cause for concern Such a situation developed this year and we voted in favour of the voluntary liquidation of Close Finsbury Eurotech

The biggest positive contributors towards last year's gains included Gartmore Irish, Foreign & Colonial UK Select, City Natural Resources and Equity Partnership The Foreign & Colonial UK Select fund is a prime example of where we have identified a mispriced situation and have hedged much of the associated market risk via FTSE 100 and FTSE 250 futures Last summer the fund's shares traded on a double-digit discount despite the trust having a 'hard close' in 2007 Inevitably the shares would trade closer to net asset value as time progressed, this narrowing of the discount explained the bulk of the difference between the FTSE 100's and Foreign & Colonial UK Select's total returns of 11.1% and 17.1% respectively This holding has been our largest position throughout the period under review

Manager's Report – continued

iiima Investment Trust NAV Total Return vs Global Growth General Section Total Return

Source: Intelli Corporate Finance Limited

One of the most significant drags on our portfolio this year has been our exposure to Japan. The Tokyo market enjoyed exceptionally strong conditions until April 2006, since when it has largely remained directionless. This has coincided with a period of weakness in the yen, which has translated into losses for sterling-based investors. In response to this disappointing performance, Daniel Lockyer and I undertook a research trip to the region. Following a series of meetings in Tokyo with strategists, analysts, brokers and fund managers, we retained our bullish stance but changed the emphasis of our Japanese portfolio towards property and smaller companies.

We found a significant shortage of modern office space, especially in Tokyo. This is not surprising given economic conditions, since the bursting of the bubble in 1989, little construction has taken place, but the normalisation of the economy has triggered an upsurge in demand. We acquired a position in Prospect's J-Reit fund, which was launched in November at 100p. The J-Reit (Japanese real estate) market is highly inefficient, we estimated that the true net asset value had moved substantially higher than stated net asset value, providing scope for a 'double whammy' as property prices moved higher. This has proved fruitful, by the end of April 2007, the shares had already appreciated to 130p.

The second area of opportunity we identified was smaller companies. These were at the vanguard of the bull run and by last Spring many fund managers were flagging that this area of the market had become overbought, in some cases hedge funds owned several hundred days typical trading volume in some of their favoured stocks. Clearly these would be hurt when sentiment turned, as the market would be completely overwhelmed by the weight of selling. Generally, hedge funds that specialise in Japan have been generating returns that are highly correlated with mainstream indices. This has led investors to conclude that such funds are adding little value and they are voting with their feet and redeeming. This trend has continued through this spring and the small cap indices have been in freefall. Despite ratings in this area now looking attractive, there is every chance of a climactic sell off during the coming months. We have maintained a modest position in JPMF Japanese Smaller Companies, we may look to increase our investment on market weakness.

A significant proportion of the portfolio is invested in securities which have little correlation with equity markets. We believe that these will generate returns in excess of our cash benchmark. Whilst this type of investment can make our performance look pedestrian during periods of rapidly rising markets, their returns carry vastly lower levels of risk compared with investing in equities. This category currently includes CQS Oil Rig Finance, Japan Accelerated, US Special Opportunities and Life Office Opportunities.

The newest entrant amongst these is the CQS fund. This fund invests in the bonds issued by companies which are financing the construction of oil rigs, most of which are quoted in Norway. A number of entrepreneurs have capitalised on the lack of investment made during the years of low crude prices. Existing operators have not replaced ageing fleets and many shipyards have abandoned the construction of rigs altogether. The Norwegian investors have simply filled the remaining yards' order books and effectively cornered this market. These investors rank behind the bonds owned by CQS and would have to be wiped out before our investment is impaired. The shares will yield 8%, however they also offer some scope for capital growth through uplifts once much of the construction risk has passed and the bond debt has been refinanced.

Develica Deutschland, Naya Bharat Property and RAB Special Situations were all new investments. Holdings which were disposed of in their entirety for a variety of company-specific reasons included Henderson Eurotrust, Charter Pan-European, Aberdeen Development, Edinburgh Worldwide and Renewable Energy.

We are entering an exciting period for the iimia Investment Trust. Once momentum breaks down, markets will become more challenging. Fear will replace greed as the markets' overriding emotion, this will trigger imbalances and anomalies within the closed-ended sector. The new breed of closed-ended fund will be particularly vulnerable to the ebbs and flows of emotion.

The number of options and derivatives available has expanded considerably over the past three years, providing a wide range of tools in our armoury. The research we are undertaking and the knowledge we are building about the sector in its new form will allow us to move swiftly and exploit any future change in market conditions.

Nick Greenwood Chief Investment Officer
iimia plc

27 July 2007

Portfolio Valuation

as at 30 April 2007

		Fair value 30 April 2007 £'000	Fair value 30 April 2006 £'000	% of Portfolio
F&C UK Select Trust	Ordinary share	3,978	2,375	7.70%
Herald Investment Trust	Ordinary share	2,682	1,261	5.19%
Alliance Trust	Ordinary share	2,609	1,017	5.05%
Japan Accelerated Performance Fund	Closed-ended fund	2,436	776	4.71%
Prospect Epicure J-REIT (Japanese Real Estate Investment Trusts)	Ordinary share	2,399	–	4.64%
Artemis Alpha Trust	Ordinary share	2,380	2,169	4.60%
City Natural Resources High Yield Trust	Ordinary share	2,133	924	4.13%
US Special Opportunities Trust	Income	2,111	1,245	4.08%
EP Global Opportunities Trust	Ordinary share	2,075	605	4.01%
INVESCO Asia Trust	Ordinary share	2,013	1,299	3.89%
SR Europe Investment Trust	Ordinary share	1,833	–**	3.55%
Active Capital Trust	Ordinary share	1,664	875	3.22%
JP Morgan Fleming Japanese Investment Trust	Ordinary share	1,401	957	2.71%
RAB Special Situations Company	Ordinary share	1,387	–	2.68%
Equity Partnership Investment Trust	Capital	1,373	1,137	2.66%
Life Office Opportunities Trust	Ordinary share	1,192	435	2.31%
CQS Rig Finance Fund	Ordinary share	1,040	–	2.01%
Gartmore Irish Growth Fund	Ordinary share	955	1,627	1.85%
Perpetual Japanese Investment Trust	Ordinary share	940	2,170	1.82%
Finsbury Emerging Biotechnology Trust	Ordinary share	931	–	1.80%
Develica Deutschland	Ordinary share	891	–	1.72%
Jupiter Second Split Trust	Capital	869	–	1.68%
Midas Income & Growth Trust	Ordinary share	853	–	1.65%
Impax Environmental Markets*	Ordinary share	847	699	1.64%
The Value Catalyst Fund	Closed-ended fund	834	452	1.61%
Private Equity Investor	Ordinary share	830	810	1.61%
India Capital Growth	Ordinary share	778	101	1.51%
Naya Bharat Property	Ordinary share	747	–	1.45%
Speymill Deutsche	Ordinary share	735	–	1.42%
Strategic Equity Capital Trust	Ordinary share	722	–	1.40%
London Asia Chinese Private Equity	Ordinary share	708	550	1.37%
JPMorgan Fleming Japanese Smaller	Ordinary share	680	–	1.32%
Aberdeen All Asia Investment Trust	Ordinary share	673	–	1.30%
Establishment Investment Trust	Ordinary share	606	497	1.17%
AXA Framlington Biotech Fund*	Authorised unit trust	586	–	1.13%
Mid Wynd International Investment Trust	Ordinary share	579	539	1.12%
Epic Reconstruction	Ordinary share	553	–	1.07%
Lewis Charles Sofia Property Fund	Closed-ended fund	534	–	1.03%
Polar Capital Technology Trust	Ordinary share	520	–	1.01%
Gartmore Growth Opportunities Trust	Conversion	495	–	0.96%
SR Europe Investment Trust	Subscription share	117	1,320**	0.23%
Economic Lifestyle Properties Investment Company	Ordinary share	3	232	0.01%
Total		51,692		100.00

*Open ended funds

**Warrants

Portfolio geographical exposure

UK 30.0%	Japan 17.7%
North America 15.8%	Other Pacific 16.4%
Continental Europe 14.7%	Cash & Other 5.4%

Portfolio by asset classes

Ordinary 81.9%*	Conversion and subscription shares 1.2%
Income 4.1%	Capital 4.3%
Closed ended funds 7.4%	
Unit Trusts 1.1%	

* Including open-ended funds (2.8%)

Report of the Directors

(Which incorporates the Corporate Governance Statement on pages 16 to 20)

The Directors present their report and financial statements for the year ended 30 April 2007. The Company was incorporated under the name of iimia Investment Trust plc on 20 January 2004 and commenced investment on 6 April 2004. The Articles of Association provide for the shareholders to consider the winding up of the Company at the fifth Annual General meeting to be held in 2010 and every three years thereafter.

Business Review

Principal Activity and Status

The principal activity of the Company is to carry on business as an investment trust. The Company has been granted approval from HM Revenue & Customs as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988, for the year to 30 April 2006. The Directors are of the opinion that the Company has conducted its affairs for the year ended 30 April 2007 so as to be able to continue to obtain approval as an authorised investment trust. 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.

The Company's status as an investment trust allows it to obtain an exemption from paying taxes on the profits made from the sale of its investments. Investment trusts offer a number of advantages for investors, including access to investment opportunities that might not be open to private investors and to professional stock selection skills at low cost.

The objective of the Company is to achieve absolute returns principally through investing in closed-ended funds. The Company holds a portfolio containing around 40 stocks but it is not restricted from holding a more or less concentrated portfolio in the future. However, each investee company represents a portfolio in its own right reflecting diversification on a look through basis.

Performance

The Chairman's Statement on page 4 and the Investment Manager's Report on pages 5 to 7 give details of the Company's activities, performance and position during the year under review.

The key performance indicators ('KPIs') used to measure the progress of the Company during the year under review are as follows:

- Net Asset Value ('NAV')
- The movement of the NAV compared to the notional returns available for cash, the Company benchmark 3 month libor + 2%
- The movement in the Company share price
- Discount of the share price in relation to the NAV

Principal Risks

The Board considers the following as the principal risks facing the Company. Mitigation of these risks is sought and achieved in a number of ways. Information regarding the risk assessment and control procedures is given on pages 19 and 20 under Corporate Governance.

Market Risk

The Company is exposed to market risk due to fluctuations in the market prices of its investments.

The Company may hold a substantial proportion of the portfolio in cash or cash equivalent investments from time to time. Whilst during positive stock market movements the portfolio may forego notional gains, during negative market movements this may provide protection.

The Investment Manager actively monitors economic and Company performance and reports to the Board on a frequent and informal basis. The Board formally meets with the Investment Manager on a quarterly basis when the portfolio transactions and performance are reviewed. The Management Engagement Committee meets at least once a year to review the performance of the Investment Manager.

The Company is substantially dependent on the services of the Investment Manager's investment team for the implementation of its investment policy

Discount Volatility

As with many investment trust companies, discounts can fluctuate significantly

The Board has and intends to continue to operate an active discount management policy through the use of share buy-backs and the issue of shares from Treasury. The Company purchased 638,727 Ordinary 1p shares for Treasury during the year.

The operation of the discount management policy is detailed below under the headings Share Issues, Treasury Shares and Purchase of Own Shares.

The Board encourages the Investment Manager to market the Company, so as to increase the demand for its shares, which in turn is intended to help reduce the discount.

Regulatory Risks

A breach of Companies Act regulations and FSA/London Stock Exchange rules may result in the Company being liable to fines or the suspension from the London Stock Exchange. The Board has a service level agreement with the Secretary, which includes the regular review of compliance with the above mentioned regulations. The compliance and regulatory risks are reviewed by the Audit Committee at each meeting.

Compliance with Section 842 of the Income and Corporation Taxes Act 1988

If the Company did not comply with the provisions of Section 842, it would lose its investment trust status. In order to minimise this risk, the Directors, the Investment Manager and the Company Secretary monitor the Company's compliance with the key criteria of Section 842 on a monthly basis. On a quarterly basis, compliance with these provisions is discussed in detail between the Board and the Investment Manager and, furthermore, the Investment Manager provides the Board with a quarterly assurance that, to the best of its knowledge, the provisions of Section 842 relating to investments have been adhered to during the period.

Gearing

As at 30 April 2007 the Company had drawn down £3,750,000 against a revolving credit facility of £7,500,000, which is available to 29 May 2008 and is subject to certain covenants.

A breach of the loan covenants may lead to funding being reduced or withdrawn. The Board monitors compliance with the loan covenants at each Board meeting and regularly reviews the loan, and the requirement for it, with the Investment Manager. The industry loan provider ratings are actively monitored. Further details are set out in note 11 to the accounts on pages 35 and 36.

Further information regarding details of these risks is included in note 19 to the accounts on pages 38 to 41.

Current and Future Developments

The marketing and promotion of the Company will continue to involve the Board, the Company's Broker and Investment Manager. Please refer to the Chairman's Statement and the Investment Manager's report for further information on the likely future development of the Company.

Report of the Directors – continued

Share Issues

At 1 May 2006 the Company had 21,618,884 Ordinary shares in issue. On 25 May 2006 509,095 Ordinary shares were issued under the block listing at 147.32p per share. The Company issued a further 9,115,966 Ordinary shares on 9 June 2006 following a placing and offer for new shares at 145.90p per share. At 30 April 2007 the number of shares in issue was 31,243,945 shares. All shares issued since launch have been placed at a premium to net asset value thus benefiting existing shareholders.

The Directors will only issue new shares if they believe it would be in the best interests of the Company's shareholders and would not result in a dilution of the net asset value per share. Any such issues will be made at a price not less than the prevailing net asset value per share of the Company.

Treasury Shares

The Company indicated in its prospectus, published on 9 March 2004, that it intended to make market purchases of its own shares for Treasury where it was cost effective and positive for the management of the Company's capital base to do so. The Company is permitted to hold up to 10 per cent of its issued share capital in Treasury and to subsequently cancel or sell such shares for cash. At 1 May 2006 the Company held no Ordinary 1p shares in Treasury. During the year the following purchases of shares for Treasury were made:

Date	Quantity	% of share capital	Total Consideration
25 10 06	100,000	0.32	£140,951
25 10 06	265,000	0.86	£391,529
23 02 07	100,000	0.32	£154,770
05 03 07	27,577	0.09	£41,482
15 03 07	46,150	0.15	£68,875
16 03 07	50,000	0.16	£75,375
22 03 07	50,000	0.16	£75,876
	638,727		£948,858

Following the year end a further 145,400 Ordinary shares were purchased for Treasury on 4 May 2007 for £1.54 per share and a further 200,000 Ordinary shares were purchased for Treasury on 21 June 2007 for £1.57 per share.

Purchase of Own Shares

At the Annual General Meeting held on 6 September 2006 the Directors were granted the authority to purchase up to 14.99% of the Company's Ordinary share capital and as at the date of this report the Directors have the authority to purchase up to a total of 4,535,947 shares. This authority will expire at the conclusion of the Annual General Meeting and a special resolution will be proposed at the meeting for its renewal.

Dividend

The Directors do not recommend the payment of a dividend in respect of the year ended 30 April 2007.

Net Asset Value

The net asset value at 30 April 2007 was 160.36p per share (30 April 2006: 152.01p per share).

Annual General Meeting

The Notice of the Annual General Meeting is set out on pages 44 and 45. In addition to the Ordinary business of the Meeting, Resolution 6 will be proposed as a special resolution. If passed Resolution 6 will authorise the Directors to issue or sell out of treasury shares up to an amount equal to 10% of the Company's issued share capital, and to disapply pre-emption rights in respect of such shares. The Company already has a general authority to allot shares in accordance with statutory pre-emption rights and this authority will expire on 24 January 2009.

Resolution 7 will renew the Company's authority to purchase shares, either for cancellation or placing into treasury.

Management Agreements

The Company's investments are managed by iimia plc under an agreement dated 9 March 2004. The investment management fee is calculated at an annual rate of 0.5% of the adjusted market capitalisation of the Company on the last business day of each month, plus value added tax. The investment management fee accrues daily and is payable in arrears in respect of each calendar month.

The Investment Manager is also entitled to receive a performance fee if the share price has increased and the net asset value per share (adjusted to ignore any accrual for unpaid performance fees) exceeds the greater of the following hurdles:

- (i) 100 pence increased by 3 month LIBOR at the start of the calculation period plus 2%
- (ii) The adjusted net asset value per share on the day of the calculation period in respect of which a performance fee was last paid (after any deduction of any performance fee per share paid to the Investment Manager in respect of that period) increased by 3 month LIBOR plus 2%
- (iii) The adjusted net asset value per share on the last day of the previous calculation period (after any deduction of any performance fee per share paid to the Investment Manager in respect of that period) increased by 3 month LIBOR plus 2%

In such circumstances the performance fee per share will amount to 15% of any such excess, but will not exceed 2% of the Company's assets as at the last day of the relevant period.

There is no performance fee payable for the year ended 30 April 2007. A performance fee of £772,000 including VAT was paid for the year ended 30 April 2006.

The investment management agreement may be terminated by six months' written notice subject to the provisions for earlier termination as provided therein.

There are no specific provisions contained within the Investment Management Agreement relating to compensation payable in the event of termination of the agreement other than the entitlement to fees which would have been payable within any notice period. Further details about the Management Agreement are given in note 3.

The company secretarial and administrative services are provided by Capita Sinclair Henderson Limited, under an agreement dated 9 March 2004. The fees for these services are based on a minimum of £50,000 per annum, plus VAT, increasing annually in line with the UK Retail "all items" Index. The fees are paid in equal monthly installments in arrears. This agreement may be terminated by six months' written notice subject to provisions for earlier termination as provided therein.

iimia plc and, up until 14 July 2006, Sinclair Henderson Limited were subsidiary companies within the iimia Investment Group plc of which Mr Phillips is a shareholder and the Chief Executive. Sinclair Henderson was acquired by Capita on 14 July 2006, becoming Capita Sinclair Henderson and ceasing to be a subsidiary of the iimia Investment Group plc.

Continuing appointment of the Investment Manager

The Board keeps the performance of the Investment Manager under review. It is the opinion of the Directors that the continuing appointment of iimia plc is in the interests of shareholders as a whole. The reasons for this view are that the investment performance of the Company is satisfactory relative to that of the markets in which the Company invests and because the remuneration of the Investment Manager is reasonable both in absolute terms and compared to that of the managers of comparable investment companies. The Directors continue to believe that by paying the investment management fee calculated on a market capitalisation basis, rather than a percentage of assets basis, together with a performance fee based on absolute returns, the interests of the Investment Manager are closely aligned with those of shareholders.

Report of the Directors – continued

Directors

The Directors in office during the year and up to the date of this Report are

	Date of original appointment
Anthony Townsend	23 February 2004
James Fox	23 February 2004
Nick Hodgson	23 February 2004
Michael Phillips	23 February 2004

Brief biographical details of the current Directors are shown on page 3

Under the Company's Articles of Association, and in accordance with the Combined Code on Corporate Governance, Directors are required to retire at the first Annual General Meeting following their appointment. The Articles also require that one third of the Directors retire by rotation at subsequent Annual General Meetings and that each Director retire every third year. Accordingly, Mr Fox, being eligible, has offered himself for re-election at the forthcoming Annual General Meeting.

Mr Phillips, as a director of the Investment Manager is subject to annual re-election by shareholders in accordance with Listing Rule 15.2.7(3) and has offered himself for re-election at the forthcoming Annual General Meeting.

The Board has separately considered the re-election of Mr Fox and Mr Phillips and each of them has been subject to a performance review. The Board recommends the election of Mr Fox and Mr Phillips on the basis of their individual and collective expertise, experience in investment matters and the continuing effectiveness and commitment to the Company.

Other than Mr Phillips, as mentioned above, none of the Directors nor any persons connected with them had a material interest in any of the Company's transactions, arrangements and agreements during this year.

At the date of this Report, there are no outstanding loans or guarantees between the Company and any Director.

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 April 2007	At 30 April 2006
Anthony Townsend	25,000	25,000
James Fox	40,000	40,000
Nick Hodgson	50,000	50,000
Michael Phillips	1,000,000	1,000,000

There have been no changes to any holdings between 30 April 2007 and the date of this Report.

Substantial Shareholdings

The Directors have been notified of the following substantial interests in the Company's voting rights at the date of this Report.

	Number of Ordinary shares	% of voting rights (excluding shares held as treasury shares)
Imia Investment Group – PEP & ISA Clients	2,039,638	6.70
Clients of RCM (UK)	1,528,549	5.02
JP Morgan Investment Funds	1,500,000	4.92
Midas Balanced Income Fund	1,400,000	4.60
Resolution Managed Funds	1,343,000	4.41
Clients of Philip J Milton & Company	1,217,495	4.00
Clients of Cazenove & Co	1,056,255	3.47
Milton Special Situation Fund	1,000,000	3.28
Michael Phillips	1,000,000	3.28

Payment of Suppliers

It is the Company's 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 be transacted and it is the Company's policy to abide by those terms. At 30 April 2007 there were suppliers' invoices totalling £58,353 that had been received and were outstanding for payment.

Audit Information

The Directors who held office at the date of approval of the Report of the Directors' confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") is in the process of merging its audit practice with that of Grant Thornton UK LLP ("Grant Thornton"), with the successor firm being Grant Thornton. Robson Rhodes have therefore indicated their intention to resign as auditors after the Annual General Meeting, but also their willingness to continue in office as Grant Thornton. Their resignation will create a casual vacancy that the Directors intend to fill by appointing Grant Thornton.

By order of the Board


Capita Sinclair Henderson Limited

Secretary

27 July 2007

Corporate Governance

Corporate Governance

The Company is committed to the highest standards of corporate governance and the Board is accountable to shareholders for the governance of the Company's affairs

Statement of Compliance with the Combined Code on Corporate Governance

The Directors have reviewed the detailed principles of good governance as set out in the Combined Code published in July 2003 by the Financial Reporting Council. As a result the Board can confirm that, to the extent that they are relevant to the Company's business, they have complied with the provisions of section 1 of the Code during the year ended 30 April 2007 apart from the matters detailed below and that the Company's current practice is in all material respects consistent with the principles of the code. Additionally, as a member of the Association of Investment Companies ('AIC'), the Board has taken account of the recommendations of the AIC Code on Corporate Governance as published in February 2006 (the 'AIC Code'), which seeks to codify best practice of particular relevance to investment trusts. There are some areas where the AIC code is more flexible than the Combined Code for investment trust companies and the Board has taken steps to adhere to its principles and follow the recommendations in the AIC code where it believes they are appropriate.

Board of Directors

The Board consists entirely of non-executive Directors. With the exception of Mr Phillips, all the Directors are fully independent of the Investment Manager.

The Directors of the Board meet at regular Board meetings, held at least once a quarter and additional meetings are arranged as necessary. During the year to 30 April 2007 the number of full scheduled Board meetings, additional Board meetings and Audit Committee meetings attended by each Director were as follows:

	Scheduled Board meetings	Additional Board meetings	Audit Committee meetings
Anthony Townsend	4 (4)	4 (6)	2 (2)
James Fox	4 (4)	4 (6)	2 (2)
Nick Hodgson	4 (4)	5 (6)	2 (2)
Michael Phillips	4 (4)	5 (6)	n/a

Figures in brackets indicate maximum number of meetings held in the year in respect of which the individual was a Board/Committee member.

The Board is responsible for all matters of direction and control of the Company, including its investment policy, and no one individual has unfettered powers of decision. The Directors possess a wide range of business and financial expertise relevant to the direction of the Company and consider that they commit sufficient time to the Company's affairs. Brief biographical details of the Directors, including details of their significant commitments, can be found on page 3.

The Board has established a formal process, led by the Chairman, for the annual evaluation of the performance of the Board, its Committees and the individual Directors. The annual appraisal process was conducted by interview during June 2007. The appraisal of the Chairman followed the same process and was conducted by the Chairman of the Audit Committee, Mr Fox.

Chairman and Senior Independent Director

The Chairman, Mr Townsend, is deemed by his fellow independent Board members to be independent and to have no conflicting relationships. Mr Townsend is chairman of British & American Investment Trust PLC, and a non-executive director of Brit Insurance Holdings Plc. He has a number of other investment trust directorships but considers himself to have sufficient time to commit to the Company's affairs as necessary.

Given the size and nature of the Board it is not considered appropriate to appoint a senior independent director as required by Code Provision A3.3.

The Company does not have a Chief Executive Officer, but by appointing a management company the roles of Chairman and Chief Executive Officer are effectively separated.

Directors' Independence

In accordance with the Listing Rules for Investment Trust Companies the Board has reviewed the independent status of each individual Director and the Board as a whole

Mr Phillips is the Chief Executive of iimia Investment Group plc, the holding company of the Company's Investment Manager, and is therefore considered not to be independent under the terms of the Combined Code or the AIC Code

The Combined Code requires that this report should identify each non-executive Director the Board considers to be independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, a Director's judgment, stating its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which may appear to be relevant to its determination. In the Board's opinion Messrs Townsend, Fox and Hodgson are all considered to be independent in both character and judgment. Accordingly three of the four Board members are independent, thus the majority of the Board is comprised of independent non-executive Directors

In accordance with the Combined Code, the Board's policy with regard to tenure of office is that any Director having served for nine years since his first election will be required to seek annual re-election thereafter

The Listing Rules stipulate that only one director who is also a director or employee of the Investment Manager will be allowed on the board of an investment company and that such a director will be subject to annual re-election by shareholders. As a director of iimia plc this rule applies to Mr Phillips, who will therefore be subject to annual re-election. Mr Phillips is deemed to have an interest in the Management Agreement as described above

Board Responsibilities and Relationship with Investment Manager

The Board is responsible for the determination and implementation of the Company's investment policy and for monitoring compliance with the Company's objectives. The Company's main functions have been subcontracted to a number of service providers, each engaged under separate legal agreements. At each Board meeting the Directors follow a formal agenda, which is circulated in advance by the Company Secretary. The Board's main roles are to create value to shareholders, to provide leadership to the Company and to approve the Company's strategic objectives. Specific responsibilities of the Board include reviewing the Company's investments, asset allocation, gearing policy, cash management, peer group performance, investment outlook and revenue forecasts and outlook. In order to meet these objectives the Company Secretary and Investment Manager provide financial information, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice

The Board has a schedule of matters reserved for decision by the full Board, which was adopted on 24 May 2004, and has been adopted for all meetings

The management of the Company's assets is delegated to iimia plc, who have discretion to manage the assets of the Company in accordance with the Company's objectives and policies. At each Board meeting, a representative from the Investment Manager is in attendance to present verbal and written reports covering its activity, portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings. The Board and the Investment Manager operate in a supportive, co-operative and open environment

Committees of the Board

Up to 21 March 2007 the Board had appointed a number of Committees to which certain Board functions were delegated. Each of these Committees, which were originally established on 24 May 2004, had formal written terms of reference, which clearly defined their responsibilities. On 21 March 2007 the Board considered that the matters dealt with by the nomination committee and the remuneration committee could be more appropriately dealt with by the Board as a whole under the Chairmanship of Mr Townsend. To assist it when constituted as a nomination committee and remuneration committee the Board had agreed a detailed set of terms of reference for each subject area, copies of which may be obtained from the Registered Office. The terms of reference of each Committee can be inspected at the Registered Office of the Company

Audit Committee

The Audit Committee comprises all the independent non-executive Directors of the Company and is chaired by Mr Fox. The Smith Report's guidance to the Combined Code emphasises the need for "Audit Committee arrangements to be proportionate to the task". With such a small Board, it was deemed both proportionate and practical to involve all Directors except for Mr Phillips. The Committee met on two occasions during the year to 30 April 2007

Corporate Governance – continued

The Committee has since met to review and approve the Company's Annual Report and Accounts 2007. At every meeting all members of the Committee were in attendance.

The primary responsibilities of the Audit Committee are to review the effectiveness of the internal control environment of the Company and to monitor adherence to best practice in corporate governance, to make recommendations to the Board in relation to the re-appointment of the auditors and to approve their remuneration and terms of engagement, to review and monitor the auditor's independence and objectivity and the effectiveness of the audit process and provide a forum through which the Company's auditors report to the Board. In relation to non-audit services, the Audit Committee reviews the scope and nature of all proposed non-audit services before engagement. The Audit Committee also has responsibility for monitoring the integrity of the financial statements and accounting policies of the Company, and receiving reports from the compliance officer of the Investment Manager. Committee members consider that individually and collectively they are appropriately experienced to fulfil the role required.

RSM Robson Rhodes LLP are the auditors of the Company. The Board believes that auditor objectivity and independence is safeguarded, for the following reasons. The extent of non-audit work carried out by RSM Robson Rhodes LLP is limited and flows naturally from the firm's role as auditor to the Company. RSM Robson Rhodes LLP has provided information on its independence policies and the safeguards and procedures it has developed to counter perceived threats to its objectivity. It also confirms that it is independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Management Engagement Committee

The Management Engagement Committee comprises all the independent non-executive Directors and is chaired by Mr Townsend. In accordance with the requirements of the AIC Code the Committee meets at least once a year to review the performance of the Investment Manager's obligations under the Investment Management Agreement, and to consider any variation to the terms of the agreement. The Management Engagement Committee also reviews the performance of the Company Secretary, the Custodian, the Registrar and any matters concerning their respective agreements with the Company. During the year the Committee met on 21 June 2006 and all Committee members attended.

Nomination Committee

The Nomination Committee comprised all the independent non-executive Directors and was chaired by Mr Townsend. It had been formally constituted to assist the Board in making recommendations on all new Board appointments.

At the meeting of the Nomination Committee held on 21 March 2007 it was agreed that given the size of the Company and the constitution of the Committee, the matters previously dealt with by the Nomination Committee would in future be dealt with by the Board of Directors.

The Board, in its capacity as a Nomination Committee meets at least once a year, to review the size, composition, balance and effectiveness of the Board, review the Directors' performance appraisal process, assess the time commitment required and approve the re-appointment of Directors retiring in accordance with the Articles of Association or the Listing Rules. The Committee met on 21 March 2007 when all Committee members attended.

Remuneration Committee

The Remuneration Committee comprised all the independent non-executive Directors and was chaired by Mr Townsend. The Committee met on 21 March 2007, when all members attended to determine and approve Directors' fees, following proper consideration of the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs having regard to the industry generally.

At the meeting of the Remuneration Committee held on 21 March 2007 it was agreed that given the size of the Company and the constitution of the Committee, the matters previously dealt with by the Remuneration Committee would in future be dealt with by the Board of Directors.

Under the Financial Services Authority Listing Rule 15.4.15, where an investment trust company has no executive directors the Combined Code principles relating to Directors' remuneration do not apply. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on pages 21 and 22.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense

The Company has arranged Directors' and Officers' Liability Insurance which provides cover for legal expenses under certain circumstances. This was in force for the entire period under review and up to the time the report was approved

Internal Control Review

The Directors are responsible for the Company's systems of internal control and for reviewing their effectiveness

An ongoing process has been in place since 24 May 2004 for identifying, evaluating and managing risks faced by the Company. The Board has noted the Financial Reporting Council's 'Internal Control' guidance of October 2005. Key procedures established with a view to providing effective financial control have been in place for the financial year and up to the date the financial statements were approved

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss

Internal Control Assessment Process

Regular risk assessments and reviews of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's objectives in the light of the following factors

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective,
- the threat of such risks becoming reality,
- the Company's ability to reduce the incidence and impact of risk on its performance, and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls

Against this backdrop the Board has split the review into four sections reflecting the nature of the risks being addressed. The sections are as follows

- corporate strategy,
- published information and compliance with laws and regulations,
- relationship with service providers, and
- investment and business activities

Given the nature of the Company's activities and the fact that most functions are subcontracted, the Directors have obtained information from key third party suppliers regarding the controls operated by them. To enable the Board to make an appropriate risk and control assessment, the information and assurances sought from third parties include the following

- details of the control environment,
- identification and evaluation of risks and control objectives,
- assessment of the communication procedures, and
- assessment of the control procedure

Corporate Governance – continued

The key procedures which have been established to provide effective internal financial controls are as follows

- investment management is provided by iimia plc. The Board is responsible for the implementation of the overall investment policy and monitors the action of the Investment Manager at regular meetings
- The provision of administration, accounting and company secretarial duties is the responsibility of Capita Sinclair Henderson Limited
- Custody of assets is undertaken by the Bank of New York
- The duties of investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement one another
- The non-executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved, the Board monitors their ongoing performance and contractual agreements
- Mandates for authorisation of investment transactions and expense payments are set by the Board
- The Board receives detailed financial information produced by the Investment Manager and the Secretary on a regular basis and Board meetings are held at least once a quarter to review such information

The Company does not have an internal audit function. All of the Company's management functions are delegated to independent third parties whose controls are reviewed by the Board. It is therefore felt that there is no requirement for the Company to have an internal audit function. However, this position is reviewed annually.

Company Secretary

The Board has direct access to the advice and services of the Company Secretary, Capita Sinclair Henderson Limited, which is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with. The Secretary is also responsible to the Board for ensuring timely delivery of the information and reports and that statutory obligations of the Company are met.

Dialogue with shareholders

Communication with shareholders is given a high priority by both the Board and the Investment Manager and the Directors are available to enter into dialogue with shareholders. Major shareholders of the Company are offered the opportunity to meet with the Investment Manager and the Directors of the Board in an attempt to ensure that their views are understood. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the Board and the Investment Manager are available to discuss issues affecting the Company and shareholders have the opportunity to address questions to the Investment Manager, the Board and the Chairmen of the Board's standing committees.

Any shareholder who would like to lodge questions in advance of the Annual General Meeting is invited to do so, either on the reverse side of the proxy card or in writing to the Company Secretary at the address on page 3. The Company always responds to letters from individual shareholders.

The Annual and Interim Reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies are dispatched to shareholders by mail and are also available from the Company Secretary, at the contact details on page 3 or by downloading from both the Investment Manager's and Company's website, as detailed on page 42.

Going Concern

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

Directors' Remuneration Report

The Board has prepared this Report, in accordance of Schedule 7A to the Companies Act 1985. An ordinary resolution will be put to the members to receive the Report at the forthcoming Annual General Meeting.

The law requires your Company's auditors to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 24 and 25.

Policy on Directors' fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and is determined with reference to comparable organisations and appointments. It is intended that this policy will continue for the year ending 30 April 2008 and subsequent years.

The fees of the non-executive Directors are determined within the limits set out in the Company's Articles of Association which stipulates that the aggregate amount of Directors fees shall not exceed £75,000 in any financial year or any greater sum that may be determined from time to time by ordinary resolution of the Company. They are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

Directors' service contracts

None of the Directors have a contract of service with the Company, nor has there been any contract or arrangement between the Company and any Director at any time during the period. The Articles of Association provide that a Director shall retire and be subject to re-election at the first annual general meeting after his appointment, and that one third of the Directors retire by rotation at subsequent Annual General Meetings and that each Director retire every third year.

Your Company's performance

The graph below compares the total return (assuming all dividends are reinvested) to Ordinary shareholders, compared to the MSCI World Index (Sterling). The MSCI World Index has been selected as it is considered to represent a broad equity market index against which the performance of the Company's assets may be assessed.

The Company's benchmark of 3 month LIBOR plus 2%, has also been shown for comparison.

Source: iimia plc

Remuneration Committee

At the meeting of the Remuneration Committee held on 21 March 2007 it was agreed that given the size of the Company and the constitution of the Committee, the matters previously dealt with by the Remuneration Committee would in future be dealt with by the Board of Directors.

Directors' Remuneration Report – continued

Directors' emoluments for the period (audited)

The Directors who served during the year received the following emoluments in the form of fees

	2007	2006
	£	£
Anthony Townsend (Chairman)	18,000	15,000
James Fox	15,000	10,000
Nick Hodgson	12,000	10,000
Michael Phillips	-	-

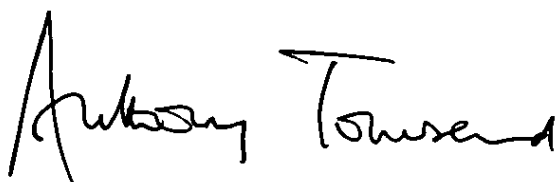
As a director of the Investment Manager, Mr Phillips does not receive a Director's fee

The above rates of remuneration became effective from 1 May 2006. At a meeting of the Remuneration Committee held on 21 March 2007 it was agreed that annual fees for the Chairman, Mr Fox and Mr Hodgson would remain unchanged.

Approval

The Directors' Remuneration Report was approved by the Board on 27 July 2007

Anthony Townsend
Chairman



Statement of Directors' Responsibilities in Respect of the Financial Statements

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 profit and loss 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, which have been prepared in accordance with UK Generally Accepted Accounting Practice, comply with the above requirements

The Directors are responsible for ensuring that the report of the Directors and other information included in the Annual Report is prepared in accordance with Company Law in the United Kingdom. They are responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority

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

The accounts are published on www.imiainvestmenttrust.co.uk, which is a website maintained by imia Investment Group plc. 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 accounts 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 of the accounts may differ from legislation in other jurisdictions

Report of the Independent Auditors

to the shareholders of iimia Investment Trust plc

We have audited the financial statements on pages 26 to 41. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and Manager's Report that is cross-referred from the Business Review section of the Report of the Directors.

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Manager's Report, the Corporate Governance Statement, the Company Summary, the Summary of Results and the Portfolio Valuation. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company as at 30 April 2007 and of its return for the year then ended,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

London, England

27 July 2007

Income Statement

for the year ended 30 April 2007

	Note	Year ended 30 April 2007			Year ended 30 April 2006		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments at fair value through profit or loss	8	-	3,452	3,452	-	10,009	10,009
Income	2	546	-	546	349	-	349
Annual management fee	3	(257)	-	(257)	(163)	-	(163)
Performance fee	3	-	-	-	-	(722)	(722)
Exchange (losses)/gains on capital items		-	(4)	(4)	-	(149)	(149)
Other expenses	4	(184)	-	(184)	(193)	-	(193)
Returns on ordinary activities before finance costs and taxation		105	3,448	3,553	(7)	9,088	9,081
Interest payable	5	(158)	-	(158)	(72)	-	(72)
Return on ordinary activities before taxation		(53)	3,448	3,395	(79)	9,088	9,009
Taxation on ordinary activities	6	-	-	-	-	-	-
Return on ordinary activities after taxation for the financial period		(53)	3,448	3,395	(79)	9,088	9,009
Return per Ordinary share	7	pence (0 18)	pence 11 47	pence 11.29	pence (0 37)	pence 42 29	pence 41 92

The total column of this statement is the Profit and Loss account of the Company. The supplementary revenue return and capital return columns have been prepared in accordance with the AIC's SORP.

All revenue and capital items in the above statement derive from continuing operations. There are no recognised gains or losses other than those passing through the Income Statement.

The notes on pages 30 to 41 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 April 2007

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Own shares held in Treasury £'000	Revenue reserves £'000	Total £'000
Balance at 30 April 2006	216	3,054	18,050	4,972	6,806	–	(235)	32,863
Movement for the year								
Return for the year	–	–	–	2,935	513	–	(53)	3,395
Issue of Ordinary share capital	96	13,954	–	–	–	–	–	14,050
Cost of share issue	–	(281)	–	–	–	–	–	(281)
Ordinary shares purchased and held in Treasury	–	–	–	–	–	(949)	–	(949)
Balance at 30 April 2007	312	16,727	18,050	7,907	7,319	(949)	(288)	49,078

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Own shares held in Treasury £'000	Revenue reserves £'000	Total £'000
Balance at 30 April 2005	210	2,249	18,050	1,565	1,125	(708)	(156)	22,335
Movement for the year								
Return for the year	–	–	–	3,407	5,681	–	(79)	9,009
Issue of Ordinary share capital	6	723	–	–	–	–	–	729
Costs of share issue	–	–	–	–	–	(124)	–	(124)
Ordinary shares purchased and held in Treasury	–	82	–	–	–	832	–	914
Balance at 30 April 2006	216	3,054	18,050	4,972	6,806	–	(235)	32,863

The notes on pages 30 to 41 form part of these financial statements

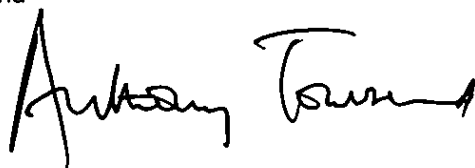
Balance Sheet

as at 30 April 2007

	Note	30 April 2007 £'000	30 April 2006 £'000
Fixed assets			
Investments held at fair value through profit or loss	8	51,692	32,761
Current assets			
Debtors	10	1,161	554
Cash at bank		987	1,887
		<u>2,148</u>	<u>2,441</u>
Creditors amounts falling due within one year			
Creditors	11	4,762	2,339
Net current (liabilities)/assets		<u>(2,614)</u>	<u>102</u>
Net assets		<u>49,078</u>	<u>32,863</u>
Share capital and reserves			
Share capital	12	312	216
Share premium account		16,727	3,054
Special reserve		18,050	18,050
Capital reserve – realised		7,907	4,972
– unrealised		7,319	6,806
Own shares held in Treasury	13	(949)	–
Revenue reserve		(288)	(235)
		<u>49,078</u>	<u>32,863</u>
Total shareholders' funds		<u>49,078</u>	<u>32,863</u>
Net asset value per Ordinary share	16	<u>pence</u> <u>160 36</u>	<u>pence</u> <u>152 01</u>

These financial statements were approved by the Board of Directors on 27 July 2007, and signed on its behalf by

Anthony Townsend
Chairman



The notes on pages 30 to 41 form part of these financial statements

Statement of Cash Flows
for the year ended 30 April 2007

	Note	30 April 2007 £'000	30 April 2006 £'000
Operating activities			
Investment income received		397	263
Deposit interest received		152	55
Investment management fees paid		(1,000)	(353)
Secretarial fees paid		(57)	(55)
Other cash payments		(129)	(135)
Net cash outflow from operating activities	14	<u>(637)</u>	<u>(225)</u>
Servicing of finance			
Interest paid		(151)	(73)
Net cash outflow from servicing of finance		<u>(151)</u>	<u>(73)</u>
Capital expenditure and financial investment			
Purchases of investments		(40,404)	(29,989)
Sales of investments		25,278	29,425
Losses on derivative contracts		(309)	(177)
Net cash outflow from capital expenditure and financial investment		<u>(15,435)</u>	<u>(741)</u>
Net cash outflow before financing		<u>(16,223)</u>	<u>(1,039)</u>
Financing			
Proceeds of Ordinary share issue		14,056	729
Expenses of issue		(281)	(6)
Ordinary shares purchased and held in Treasury		(949)	(124)
Ordinary shares sold from Treasury		-	914
Revolving credit facility repaid		-	(2,263)
Revolving credit facility drawdown		2,500	1,593
Net cash inflow from financing		<u>15,326</u>	<u>843</u>
Decrease in cash	15	<u>(897)</u>	<u>(196)</u>

The notes on pages 30 to 41 form part of these financial statements

Notes to the Financial Statements

for the year ended 30 April 2007

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of investments and are prepared in accordance with applicable law and Accounting Standards in the United Kingdom ('UK GAAP') and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" ('SORP') issued by the Association of Investment Companies ('AIC') in January 2003 and revised in December 2005. Where guidance set out in the SORP is inconsistent with the requirements of UK GAAP the Directors have sought to prepare the financial statements on a basis compliant with UK GAAP.

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'. 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. Expenses are charged through the revenue column of the income statement except as follows:

- transaction costs which are incidental to the acquisition or disposal of an investment are included within Gains on Investments and disclosed in note 9, and
- investment performance fees and related irrecoverable VAT are charged to the capital column of the income statement as the Directors expect that in the long term virtually all of the Company's returns will come from capital.

Foreign currency transactions

The currency of the Primary Economic Environment in which the Company operates (the functional currency) is pounds Sterling ('Sterling') which is also the presentation currency. 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 Income Statement in the period in which they arise.

Investments – held at fair value through profit or loss

Investments have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid market prices. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, quoted equities and fixed income securities are designated as fair value through profit or loss on initial recognition. The entity manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the portfolio is provided internally on this basis to the Board.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

Quoted investments are valued at the bid price, or the last traded price, depending on the convention of the exchange on which the investment is quoted.

Unquoted investments, including any warrants, are valued by the Directors at fair value using market valuation techniques in accordance with the International Private Equity and Venture Capital guidelines.

1 Accounting policies – continued

Financial assets and liabilities held for trading

Derivatives which are classified as financial assets or liabilities held for trading are valued at fair value at the close of business at the period end

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 the Income Statement, allocated to capital and transferred to this reserve

- gains and losses on the realisation of investments,
- realised gains and losses on financial instruments held for trading,
- realised exchange differences of a capital nature, and
- expenses, together with related taxation effect, allocated to capital in the Income Statement in accordance with the above policies

Capital reserve (unrealised)

The following are accounted for in the Income Statement, allocated to capital and transferred to this reserve

- increases and decreases in the fair value of the investments held at the period end,
- unrealised gains and losses on financial instruments held for trading

2 Income

	30 April 2007 £'000	30 April 2006 £'000
Income from investments		
UK dividend income	315	216
UK unfranked investment income	96	79
	<u>411</u>	<u>295</u>
Other income		
Bank interest receivable	135	54
	<u>546</u>	<u>349</u>
Total income comprises		
Dividends	315	216
Interest	231	133
	<u>546</u>	<u>349</u>

Notes to the Financial Statements

for the year ended 30 April 2007

3 Investment management fee

	30 April 2007			30 April 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Annual fee	219	-	219	139	-	139
Performance fee	-	-	-	-	657	657
Irrecoverable VAT thereon	38	-	38	24	115	139
	257	-	257	163	772	935

The basic investment management fee is calculated at the annual rate of 0.5% of the adjusted market capitalisation of the Company on the last business day of each calendar month, plus VAT. The basic management fee accrues daily and is payable in arrears in respect of each calendar month. For the purpose of calculating the basic fee, the 'adjusted market capitalisation' of the Company is defined as the average daily mid market price for an Ordinary share adding back any dividends per share yet to have gone ex-div in the relevant month, multiplied by the number of Ordinary shares in issue, excluding those held by the Company in Treasury, on the last business day of the relevant month.

The Manager is also entitled to a performance fee of 15% of the growth of the Company's net asset value per Ordinary share in excess of a hurdle of 3 month LIBOR plus 2%, but only if the share price has also increased over the relevant period. The amount of any performance fee in a performance period will not exceed 2% of the Company's gross assets, but any excess performance fee over this cap may be carried forward up to 3 years to the extent that in a subsequent calculation period a performance fee is payable, but does not reach the cap for that period.

There is no performance fee due for the year ended 30 April 2007. The Directors consider that the excess performance fee of £654,000 (including VAT) carried forward from the year ended 30 April 2006 is not a liability (a present obligation) at 30 April 2007, but that it is a contingent liability (a possible obligation) that depends on future events. Following clarification of the terms of the management agreement in regards to the calculation of the performance fee by the Company, this contingent liability was increased to £654,000 from the £592,000 disclosed in the 2006 Annual Report.

The performance fee per share is calculated based on the time weighted average number of shares in issue during the calculation period. Calculation periods correspond to the Company's accounting periods. The performance fee accrues monthly, and is subject to VAT.

4 Other expenses

	30 April 2007 £'000	30 April 2006 £'000
Secretarial services	63	55
Auditor's remuneration for		
Audit of the Company's Financial Statements	14	14
All other services	1	3
Directors' remuneration*	45	35
Other expenses	61	86
	184	193

Since the year end, the Company has not been charged any further fees by the auditors.

* see Directors' Remuneration Report on page 21 for analysis

5 Interest payable and similar charges	30 April 2007			30 April 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable on revolving credit facility	158	-	158	72	-	72

6 Taxation	30 April 2007			30 April 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax at 30%	-	-	-	-	-	-

The current taxation charge for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

	30 April 2007			30 April 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Return on ordinary activities before taxation	(53)	3,448	3,395	(79)	9,088	9,009
Theoretical tax at UK corporation tax rate of 30%	(16)	1,034	1,018	(24)	2,726	2,702
Effects of						
- UK dividends that are not taxable	(94)	-	(94)	(65)	-	(65)
- Gains on investment and exchange gains on capital items	-	(1,034)	(1,034)	-	(2,958)	(2,958)
- Expenses not deductible for tax	-	-	-	7	-	7
- Unrelieved expenses	110	-	110	82	232	314
Actual current tax charge	-	-	-	-	-	-

Factors that may affect future tax charges

The Company has excess management expenses of £1,852,000 (2006 £1,484,000) that are available to offset future taxable revenue. No deferred tax asset has been recognised in respect of these amounts as they will only be recoverable to the extent that there is sufficient future taxable revenue.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Trust meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an Investment Trust company.

Notes to the Financial Statements

for the year ended 30 April 2007

7 Return per share

	30 April 2007			30 April 2006		
	Net return £'000	Weighted average number of Ordinary shares†	Per share pence	Net return £'000	Weighted average number of Ordinary shares†	Per share pence
Total						
Return per share	3,395	30,050,224	11 29p	9,009	21,491,213	41 92p
Revenue						
Return per share	(53)	30,050,224	(0 18)p	(79)	21,491,213	(0 37)p
Capital						
Return per share	3,448	30,050,224	11 47p	9,088	21,491,213	42 29p

† excluding shares held in Treasury

8 Investments

	30 April 2007 £'000	30 April 2006 £'000
<i>Investment portfolio summary</i>		
Total investments at fair value	51,692	32,761
	£'000	£'000
<i>Analysis of investment portfolio movements</i>		
Opening valuation	32,761	22,821
Movements in the period		
Purchases at cost	40,782	29,165
Sales – proceeds	(25,892)	(29,455)
– realised gains on sales	3,244	4,479
Increase in unrealised appreciation	797	5,751
Closing valuation	51,692	32,761
Closing book cost	44,045	25,911
Closing unrealised appreciation	7,647	6,850
	51,692	32,761

A list of the portfolio holdings by their fair value is given in the portfolio valuation on page 8 of the Annual Report

The investment portfolio includes 13 (2006 nil) unlisted holdings totalling £11,526,000 (2006 £nil), representing 22.3% of the portfolio

Transaction costs incidental to the acquisitions of investments totalled £119,000 (2006 £158,000) and disposals of investments totalled £70,000 (2006 £59,000) for the year

8 Investments – continued	30 April 2007	30 April 2006
	£'000	£'000
<i>Analysis of capital gains</i>		
Realised gains on sales	3,244	4,479
Movement in unrealised appreciation	797	5,751
Realised losses on derivative contracts	(308)	(177)
Movement in unrealised appreciation on derivative contracts	(281)	(44)
	<u>3,452</u>	<u>10,009</u>

9 Significant interests

The Company had holdings of 3% or more that is material in the context of the accounts in the following companies' securities

Name of investment	Class of Share	30 April 2007 Percentage held
F&C UK Select Trust	Ordinary	5.89
Japan Accelerated Performance Fund	Closed-ended fund	5.08
Economic Lifestyle Properties Investment Company	Capital	4.64
US Special Opportunities Trust	Income	4.62
Life Office Opportunities Trust	Ordinary	3.74
EP Global Opportunities Trust	Ordinary	3.68
Equity Partnership Investment Trust	Capital	3.13
Artemis Alpha Trust	Ordinary	3.01

10 Debtors amounts falling due within one year	30 April 2007	30 April 2006
	£'000	£'000
Amounts due from broker	1,106	492
Dividends receivable	40	26
Accrued income	–	17
Prepayments and other debtors	15	19
	<u>1,161</u>	<u>554</u>

11 Creditors amounts falling due within one year	30 April 2007	30 April 2006
	£'000	£'000
Bank loan	3,750	1,250
Amounts due to brokers	569	191
Bank interest	10	3
Other creditors	108	851
Financial liabilities held for trading	325	44
	<u>4,762</u>	<u>2,339</u>

The bank loan, which is a £7,500,000 revolving credit facility with Allied Irish Bank, bears interest at the rate of 0.6% over LIBOR on any drawdown balance and 0.3% on any undrawn balance. The facility may be drawdown in Sterling, US Dollars or Euros. The Bank Loan facility is available until 29 May 2008 and is subject to the following covenants

- Net borrowings will not at any time exceed 33% of Adjusted Net Asset Value, and
- Adjusted Net Asset value shall at all times be equal or greater than £12,000,000

Notes to the Financial Statements

for the year ended 30 April 2007

11 Creditors amounts falling due within one year – continued

If the Company breaches either covenant, then it is required to notify the Bank of any default and the steps being taken to remedy it

At 30 April 2007 the Company had £2,500,000 drawn down under the facility which matured on 23 May 2007 and £1,250,000 drawn down under the facility which matured on 25 May 2007. These facilities were renewed and now mature on 29 May 2008

12 Called up share capital	30 April 2007	30 April 2006
	£'000	£'000
<i>Authorised</i>		
80,000,000 Ordinary shares of 1p each	<u>800,000</u>	<u>800,000</u>
<i>Allotted, called up and fully paid</i>		
31,243,945 (2006 21,618,884) Ordinary shares of 1p each	<u>312</u>	<u>216</u>

On 25 May 2006, 509,095 Ordinary shares were issued, followed by a further issue on 9 June 2006, of 9,115,966 Ordinary shares. The aggregate nominal value of shares issued during the year was £96,000 and total consideration received was £14,050,000

13 Own shares held in Treasury

In accordance with FRS 25, the consideration paid for shares held in Treasury is presented as a deduction from shareholders' funds, which reduces distributable reserves

	Year ended 30 April 2007		Year ended 30 April 2006	
	own shares held in Treasury		own shares held in Treasury	
Summary	Number of shares	£'000	Number of shares	£'000
Opening balance	–	–	665,000	(708)
Additions	638,727	(949)*	111,769	(124)*
Re-issued	–	–	(776,769)	832
At 30 April 2007	<u>638,727</u>	<u>(949)</u>	–	–
Nominal value of own shares held in Treasury		<u>6</u>		–

* Cost including broker commissions

Following the year end a further 145,400 Ordinary shares were purchased for Treasury on 4 May 2007 for £1.54 per share and a further 200,000 Ordinary shares were purchased for Treasury on 21 June 2007 for £1.57 per share

14 Reconciliation of net return before finance costs and taxation to net cash outflow from operating activities	30 April 2007	30 April 2006
	£'000	£'000
Net return before finance costs and taxation	3,553	9,081
Gains on investments	(3,452)	(10,009)
Exchange losses on capital items	4	149
(Decrease)/increase in creditors and accruals	(743)	579
Decrease/(increase) in prepayments and accrued income	<u>1</u>	<u>(25)</u>
	<u>(637)</u>	<u>(225)</u>

15 Reconciliation of net cash flow to net funds	30 April 2007 £'000	30 April 2006 £'000
Opening net funds	637	312
Decrease in cash in period	(897)	(196)
Net (drawdown)/repayment of revolving credit facility	(2,500)	670
Exchange losses on capital items	(3)	(149)
	<hr/>	<hr/>
Closing net funds	(2,763)	637

	At 30 April 2006 £'000	Cash Flows £'000	Foreign exchange movements £'000	At 30 April 2007 £'000
Net funds are comprised as follows				
Cash at bank	1,887	(897)	(3)	987
Debt due within one year	(1,250)	(2,500)	–	(3,750)
	<hr/>	<hr/>	<hr/>	<hr/>
	637	(3,397)	(3)	(2,763)

16 Net asset value per Ordinary share

The net asset value per Ordinary share is based on net assets of £49,078,000 (2006 £32,863,000) and on 30,605,218 (2006 21,618,884) Ordinary shares, being the number of shares in issue at the year end, excluding shares held in Treasury (see note 13)

17 Capital commitments and contingent liabilities

The Company has a contingent liability of £654,000 due to the Investment Manager for the excess performance fee for the year ended 30 April 2006. This amount may become payable in the three year period ending 30 April 2009. Please see note 3 for further details.

Following clarification of the terms of the management agreement in regards to the calculation of the performance fee by the Company, the excess performance fee, which is a contingent liability, has been increased to £654,000 from the £592,000, shown in last year's accounts.

As at 30 April 2007, there were no capital commitments.

18 Post Balance Sheet Events

Following a European Court of Justice (the 'ECJ') ruling on 28 June 2007 in relation to VAT chargeable on investment management fees to investment trusts the Company has a contingent asset in respect of the total VAT paid on its investment management fees since the commencement of investment activities, being £232,000. The recoverability of this asset in whole or in part is subject to discussions between the Company, the Manager and HM Revenue & Customs ('HMRC') and is subject to possible appeal by HMRC.

Notes to the Financial Statements

for the year ended 30 April 2007

19 Analysis of financial assets and liabilities

The Company's financial instruments comprise securities and derivatives used for hedging purposes, 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 risk

The Company finances its operations through its issued capital, existing reserves and a revolving credit facility

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

- Market price risk, i.e. the movements in value of investment holdings caused by factors other than interest rate movement,
- Interest rate risk,
- Liquidity risk, and
- Foreign currency risk

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

Policy

(i) Market price risk

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

A significant proportion of the Company's portfolio is invested in securities which themselves invest in overseas securities and movements in foreign currencies can affect their Sterling value

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

(ii) Interest rate risk

Fair Value interest rate risk exposure

The Company is no longer exposed to fair value interest rate risk as it no longer holds convertible loan stock as part of its portfolio

Cash flow interest rate risk exposure

The Investment Manager is permitted to borrow up to 20% of the Company's net asset value, and uses a £7.5 million revolving credit facility for this purpose, at variable rates to be determined prior to any drawdown

The Company's bank accounts earn interest at a variable rate which is subject to fluctuations in interest rates

Non-interest rate risk exposure

The remainder of the Company's portfolio and current assets are not subject to interest rate risk

Details of the risk profile of the Company are shown in the following tables on pages 39 and 41

(iii) Liquidity risk

The Investment Manager may invest on behalf of the Company in securities which are not readily tradable, which can lead to volatile share price movements. It may be difficult for the Company to sell such investments, but such risk is currently low as the majority of the Company's investments are in readily realisable securities

19 Analysis of financial assets and liabilities – continued

(iv) Foreign currency risk

Although the Company's performance is measured in Sterling, a proportion of the Company's assets may be either denominated in other currencies or are in investments with substantial currency exposure and, as a result, the Net Asset Value of the Company may be significantly affected by currency movements

The Investment Manager reviews the risks of adverse currency movements and where necessary may use derivatives to mitigate the risk of adverse currency movements, although in the current year no such derivatives were used

(v) Derivatives

The Investment Manager may use derivative instruments in order to 'hedge' the market risk, incorporating foreign currency risk, of part of the portfolio. The Investment Manager reviews the risk associated with individual investments and where they believe it appropriate may use derivatives to mitigate the risk of adverse market or currency movements. The Investment Manager discusses the hedging strategy with the Board at its quarterly meetings

At the year end there were 3 derivative contracts open. These provide a limited degree of protection from a fall in the value of the FTSE 100 and FTSE 250 Indexes in the form of sold futures and would not materially impact the portfolio returns if a large market movement did occur. The Company entered into 38 other derivative contracts during the year which incurred net losses overall.

There were no derivatives entered into in order to hedge against foreign currency movements

Financial assets

The Company holds fixed asset investments. The majority of the Company's assets are in Sterling and accordingly the Company has only a small direct currency exposure

The interest rate risk profile of the Company's financial assets at 30 April 2007 was

	Total	No interest rate risk financial assets	Cash flow interest rate risk financial assets £'000	Fair value interest rate risk financial assets £'000
Sterling				
Investments	51,692	51,692	-	-
Cash	982	-	982	-
Debtors*	1,147	1,147	-	-
	53,821	52,839	982	-
US Dollars				
Cash	5	-	5	-
	53,826	52,839	987	-

* Debtors exclude prepayments which under FRS25 are not classified as financial assets

Notes to the Financial Statements
for the year ended 30 April 2007

19 Analysis of financial assets and liabilities – continued

The interest rate profile of the Company's financial assets at 30 April 2006 was

	Total	No interest rate risk financial assets	Cash flow interest rate risk financial assets £'000	Fair value interest rate risk financial assets £'000	Weighted average interest rate £'000	Weighted average years to maturity £'000
Sterling						
Investments	32,761	31,233	-	1,528	7.5	5.5
Cash	1,882	-	1,882	-		
Debtors*	535	535	-	-		
	<u>35,178</u>	<u>31,768</u>	<u>1,882</u>	<u>1,528</u>		
US Dollars						
Cash	5	-	5	-		
	<u>35,183</u>	<u>31,768</u>	<u>1,887</u>	<u>1,528</u>		

* Debtors exclude prepayments which under FRS 25 are not classed as financial assets

The interest rate risk profile of the Company's financial liabilities at 30 April 2007 was

	Total £'000	No interest rate risk financial liabilities £'000	Cashflow interest rate risk financial liabilities £'000
Sterling			
Creditors	687	687	-
Financial liabilities held for trading	325	325	-
Bank loan	3,750	-	3,750
	<u>4,762</u>	<u>1,012</u>	<u>3,750</u>

All amounts are due in one year or less

The bank loan, which is a £7,500,000 revolving credit facility with Allied Irish Bank, bears interest at the rate of 0.6% over LIBOR. The facility at 30 April 2007 had been drawn down in two parts. An amount drawdown of £2,500,000 matured on 23 May 2007 and bore interest at the rate of 6.24418%. An amount of £1,250,000 matured on 25 May 2007 and bears interest at the rate of 6.1583%.

19 Analysis of financial assets and liabilities – continued

The interest rate profile of the Company's financial liabilities at 30 April 2006 was

	Total £'000	No interest rate risk financial liabilities £'000	Cashflow interest rate risk financial liabilities £'000
Sterling			
Creditors	1,006	1,006	-
Financial liabilities held for trading	44	44	-
Bank loan	1,250	-	1,250
	<hr/>	<hr/>	<hr/>
	2,300	1,050	1,250
US Dollars			
Creditors	39	-	39
	<hr/>	<hr/>	<hr/>
	39	-	39
	<hr/>	<hr/>	<hr/>
	2,339	1,050	1,289

All amounts are due in one year or less

Fair values of financial assets and financial liabilities

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

20 Related party transactions

Under the terms of an agreement dated 9 March 2004, the Company has appointed iimia plc to be the Investment Manager. The fee arrangements for these services and fees payable are set out in note 3.

iimia plc is a subsidiary company within iimia Investment Group plc. At 30 April 2007, there were amounts due to iimia plc totalling £45,553 (2006: £788,261 due to iimia plc, £4,547 due to Capita Sinclair Henderson) and a contingent liability as detailed in note 17, of £654,000 (2006: £654,000).

Amounts due to the Company Secretary, formerly Sinclair Henderson Ltd are no longer included in related party transactions, following the acquisition of Sinclair Henderson by the Capita Group Plc in July 2006.

In addition to acting as Investment Manager, iimia plc, on occasions, also earns broking commissions on share transactions on behalf of the Company. During the period iimia plc received commission fees totalling £118,556 (2006: £111,392).

The Company appointed Intelli Corporate Finance Ltd, also a subsidiary company of iimia Investment Group plc, to act as its Stockbroker and Financial Advisor. The aggregate remuneration paid by the Company to Intelli was £240,502 in respect of the fund raising and £14,688 in respect of their services as brokers.

Shareholder Information

Share Dealing

Shares can be traded through your usual stockbroker

Share Register Enquiries

The register for the Ordinary shares is maintained by Capita Registrars. In the event of queries regarding your holding, please contact the Registrar on 0870 162 3131 or email shareholder.services@capitaregistrars.com

Changes of name and/or address must be notified in writing to the Registrar

Share Capital and Net Asset Value Information

Ordinary 1p shares	31,243,945 at 30 April 2007
SEDOL number	3436594
ISIN number	GB0034365949

The Company's Ordinary shares are traded on the London Stock Exchange

The Company releases its net asset value per Ordinary share to the London Stock Exchange daily and at each month end

Share Prices

The Company's Ordinary shares are listed on the London Stock Exchange. The mid market prices are quoted daily in the Financial Times under 'Investment Companies' and in The Daily Telegraph under 'Investment Trusts'

Financial Calendar

Company's year end	30 April
Annual results announced	June
Interim Management Statement	At 31 July
Annual General Meeting	September
Company's half-year	31 October
Interim results announced	December
Interim Management Statement	At 31 January

Annual and Interim Reports

Copies of the Annual and Interim Reports are available from the Company Secretary

Telephone 01392 412122

Investment Manager iimia plc

The Company's Investment Manager is iimia plc, a wholly owned subsidiary of the iimia group. The iimia group was formed in 2001 and in August 2004 merged with Exeter Investment Group plc to form iimia Investment Group plc, which is an AIM listed company

iimia plc is regulated by the FSA and is a member firm of the London Stock Exchange. iimia plc is a wholly-owned subsidiary of iimia Investment Group plc, which had funds under management and advice totalling £650 million as at 31 December 2006

Investor updates in the form of Monthly factsheets are available from the Company's website www.iimainvestmenttrust.co.uk and the iimia plc website at www.iimia.co.uk

Associated Investment Companies

The Company is a member of the Association of Investment Companies

Glossary of Terms

Net Asset Value ('NAV')

The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all the company's assets, at current market value, having deducted all prior charges at their par value (or at their asset value).

Discount/Premium

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Total Expense Ratio

The total operating expenses excluding interest incurred by the Company, (excludes the performance fee charged to capital) as a percentage of total assets less current liabilities.

Total Return

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between trusts with different dividend policies. Any dividends (after tax) received by a shareholder are assumed to have been reinvested in either additional shares of the trust at the time the shares go ex-dividend (the share price total return) or in the assets of the trust at its NAV per share (the NAV total return).

Gearing

Gearing is the process whereby changes in the total assets of a company has an exaggerated effect on the net asset value of that company's ordinary shares due to the presence of borrowings or share classes with a prior ranking entitlement to capital.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of iimia Investment Trust PLC will be held on 27 September 2007, at The City of London Club, 19 Old Broad Street, London EC2N 1DS at 12 noon for the following purposes

	Resolution on Form of Proxy
Ordinary business	
1 To receive and adopt the audited accounts for the year ended 30 April 2007, together with the Report of the Directors and Auditors thereon	Resolution 1
2 To receive the Directors' Remuneration Report for the year ended 30 April 2007	Resolution 2
3 To re-elect Mr James Fox as a Director of the Company	Resolution 3
4 To re-elect Mr Michael Phillips as a Director of the Company	Resolution 4
5 To re-appoint Robson Rhodes as auditors of the Company and to authorise Directors to determine their remuneration	Resolution 5

Special business

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions

6 THAT In substitution for any existing power under Section 95 of the Companies Act, but without prejudice to the exercise of any such power prior to the date of this resolution, the Directors be and they are hereby empowered, in accordance with Section 95(1) of the Companies Act, to allot equity securities (as defined in Section 94(2) of the Companies Act) for cash pursuant to the authority under Section 80 of the Companies Act conferred on the Directors by an ordinary resolution of the Company passed on 26 January 2004 and to sell relevant shares (within the meaning of Section 94(5) of the Companies Act) which are held by the Company as Treasury shares (within the meaning of Section 162A(3) of the Companies Act), in each case as if Section 89(1) of the Companies Act did not apply to any such allotment or sale, up to an aggregate nominal amount of £31,243, such power to expire 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the annual general meeting of the Company held in 2008, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such power, make an offer to enter into an agreement which would or might require equity securities or relevant shares to be allotted or sold after the expiry of such power and the Directors may allot equity securities or sell relevant shares in pursuance of such an offer or agreement as if such power had not expired	Resolution 6
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7 THAT

The Company is hereby generally and unconditionally authorised to make purchases (within the meaning of Section 163(3) Companies Act 1985) of Ordinary shares of 1p each in the capital of the Company (Ordinary shares) for cancellation or for placing into Treasury provided that

Resolution 7

- (a) the maximum number of Ordinary shares authorised to be acquired shall be 4,535,947 (or if less 14.99% of the Ordinary shares in issue immediately following the passing of this resolution),
- (b) the minimum price which may be paid for each Ordinary share is 1p (exclusive of expenses),
- (c) the maximum price (exclusive of expenses) which may be paid for each Ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent of the average of the middle market quotations of Ordinary shares taken from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the contract of purchase is made,
- (d) this authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, 15 months after that date, and
- (e) the Company may make a contract of purchase for Ordinary shares under this authority before this authority expires which will or may be executed wholly or partly after its expiration

By order of the Board


Capita Sinclair Henderson Limited, Secretary

Registered Office Beaufort House, 51 New North Road, Exeter EX4 4EP

27 July 2007

Notice of Annual General Meeting

Notes

- 1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member of the Company. Lodgement of the form of proxy will not preclude a shareholder from attending the Meeting and voting in person.
- 2 A form of proxy is attached for use in connection with the business set out on the previous pages. This form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, to reach the Registrars at the address printed on the form of proxy not later than 6 pm on 25 September 2007.
- 3 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6 pm on 25 September 2007 shall be entitled to attend or vote at the aforesaid Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 pm on 25 September 2007 (the specified time) shall be disregarded in determining the rights of any person to attend or vote at the Meeting. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned Meeting, or if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
- 4 The Articles of Association of the Company will be available for inspection at the Registered Office of the Company during normal business hours (Saturdays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Meeting.
- 5 By attending the Annual General Meeting a shareholder expressly agrees that they are requesting and willing to receive any communication made at the Annual General Meeting.

imtia Investment Trust PLC

Form of Proxy

For use at the ANNUAL GENERAL MEETING (Block capitals please)

I/We, the undersigned,

being a member/members of imtia Investment Trust PLC, hereby appoint the Chairman of the Meeting

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at, The City of London Club, 19 Old Broad Street, London EC2N 1DS on 27 September 2007, at 12 noon and at any adjournment thereof

Signature

Dated

2007

Please indicate with an X in the spaces below how you wish your votes to be cast

Ordinary business		Vote		
		For	Against	withheld
Resolution 1	To receive the reports of the Directors and Auditor and the audited accounts for the year ended 30 April 2007			
Resolution 2	To receive the Directors' Remuneration Report			
Resolution 3	To re-elect Mr J Fox as a Director of the Company			
Resolution 4	To re-elect Mr M Phillips as a Director of the Company			
Resolution 5	To reappoint RSM Robson Rhodes LLP as auditors to the Company and to authorise the Directors to determine their remuneration			

Special business

Resolution 6	Authority for the Directors to issue shares			
Resolution 7	Renewal of the Company's authority to purchase its Ordinary shares			

Notes

- 1 A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words 'the Chairman of the Meeting' and insert the name of the person appointed proxy in the space provided
- 2 If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf
- 3 In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated
- 4 If this form is returned without any indication as to how the person appointed proxy shall vote, the Chairman will exercise his discretion as to how he votes or whether he abstains from voting
- 5 To be valid, this form must be completed and deposited at the office of the Company's Registrar not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting
- 6 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 the resolution

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Capita Registrars (Proxies)
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4ZB

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