

COMPANY REGISTRATION NUMBER  
1009550

# Report & Accounts 2005

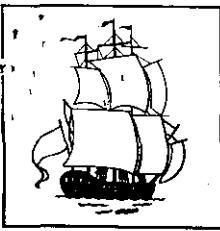
For the year ended 31st July 2005

**Manchester & London  
Investment Trust plc**



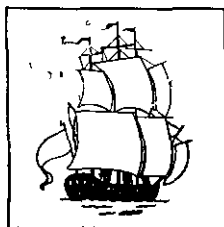
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## Financial Summary

### Total return

|   | Year to<br>31st July<br>2005 | Year to<br>31st July<br>2004 | Percentage<br>increase |
|---|------------------------------|------------------------------|------------------------|
| Total return (£'000)                          | 5,486                        | 5,072                        | 8.16                   |
| Return per 25p Ordinary share – Fully diluted | 52.36p                       | 48.41p                       | 8.16                   |
| Cash dividend per 25p Ordinary share          | 9.50p                        | 9.50p                        | -                      |

### Capital

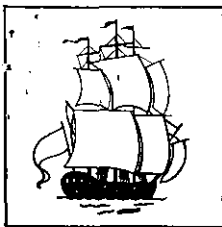
|  | At<br>31st July<br>2005 | At<br>31st July<br>2004 | Percentage<br>increase |
|--|-------------------------|-------------------------|------------------------|
| Net assets attributable to Equity Shareholders (£'000) | 33,121                  | 28,408                  | 16.59                  |
| Net asset value per 25p Ordinary share – Fully diluted | 323.2p                  | 278.2p                  | 16.18                  |
| Financial Times Actuaries All-Share Index              | 2,644.8                 | 2,192.2                 | 20.65                  |

### Total expense ratio

|  | Year to<br>31st July<br>2005 | Year to<br>31st July<br>2004 |
|--|------------------------------|------------------------------|
| As a percentage of average shareholders' funds | 1.28%                        | 1.26%                        |

## Financial Calendar

|  |   |                    |
|--|---|--------------------|
| Year ended                                 | : | 31st July 2005     |
| Results announced                          | : | 5th October 2005   |
| Report and Accounts posted to Shareholders | : | 26th October 2005  |
| Annual General Meeting held in Manchester  | : | 24th November 2005 |
| Dividend Warrants posted                   | : | 30th November 2005 |



## Directors

**\*\* P H A Stanley FCA (72)** joined the Board in November 1997 and was appointed Chairman in November 2000. He was Chairman of BWD Securities PLC (1995-2000) and has extensive experience in Stock Market related matters.

**B S Sheppard (71)** He is a founder Director of Manchester & London Investment Trust plc and was Chairman until November 1997. He is a Director of Midas Investment Management Limited who act as the Company's investment manager.

**\*\* M J Wilbraham (74)** He is a founder Director of Manchester & London Investment Trust plc. He is a member of the Securities Institute and has experience as a Board member of a number of public and private companies.

*\*\* Independent Director and Member of the Audit Committee*

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## Advisors & Administration

### Registered Office

2nd Floor, Arthur House, Chorlton Street,  
Manchester M1 3FH  
Tel 0161 228 1709 Fax 0161 228 2510  
Registered in England & Wales  
Number 1009550

### Secretary

*D S Balme ACMA*  
2nd Floor, Arthur House, Chorlton Street,  
Manchester M1 3FH

### Investment Manager

*Midas Investment Management Limited*  
2nd Floor, Arthur House, Chorlton Street,  
Manchester M1 3FH

### Auditors

*CLB Coopers*  
Century House, 11 St Peter's Square,  
Manchester M2 3DN

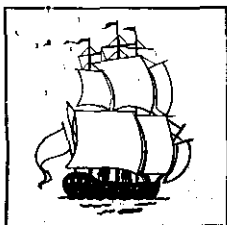
### Registrars

*Gall & Eke Registrars Limited*  
2nd Floor, Arthur House, Chorlton Street,  
Manchester M1 3FH  
Tel 0161 228 1709 Fax 0161 228 2510

### Bankers

*National Westminster Bank PLC*  
11 Spring Gardens,  
Manchester M60 2DB

*Singer & Friedlander Limited*  
21 New Street, Bishopsgate,  
London EC2M 4HR



## Chairman's Statement

During the second half of the Company's financial year, the UK stock market has shown considerable and almost uninterrupted strength. Against this background and reflecting our 24.1% liquidity level at the interim stage, our overall performance for the year under review has lagged the FTSE All-Share Index by 4.5%, but during the current year we have made up nearly half this shortfall. Our year end liquidity level was 12.4%, resulting from changes in our portfolio during the second half of the financial year and outlined in the Investment Manager's Review.

Corporate activity has continued to dominate the market and we have directly benefited from the cash bids for Novar and Singer & Friedlander. At the time of disposal these holdings comprised 6.5% of our portfolio. Indeed, it is part of our investment policy to be exposed to sound growth companies which we believe are likely to become bid or merger targets at some stage in the reasonably near future, such holdings being PZ Cussons, BAE Systems, Standard Chartered and Rank Group. Specific reasons for our belief that these companies are likely to be involved in consolidation are outlined in greater detail in the Investment Manager's Review.

Opinions on the future course of world stock markets are dominated by the prospects for the oil price, economic performance in Far Eastern countries (principally India and China) and their influences on Western economies. In the US, interest rates are likely to continue rising (after pausing because of fears of adverse economic consequences of Hurricane Katrina), as the Federal Reserve seeks a better balance in its efforts to control consumer spending at the same time as protecting the currency. In the UK, the seemingly inexorable rise in the market is occurring against a less benign background which is clouded by the uncertainties of excessive Government expenditure, prospects of increased taxation, a severe setback in consumer spending and the mounting threat of inflation which is sucking money into the markets, aided and abetted by the stakebuilding policy of the hedge funds which are rapidly replacing the establishment institutions as the catalysts for corporate activity.

Notwithstanding these uncertainties, we are reasonably confident about the prospects for stock markets in the foreseeable future, although it would not be surprising to see a fairly sharp reaction in share prices after the recent substantial rise.

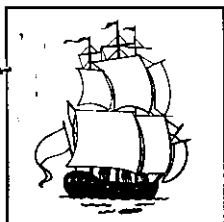
With just over 50% of our portfolio currently invested in 'global assets' (PZ Cussons, BAE Systems, Royal Dutch Shell and Standard Chartered), we are attaching increased importance to the superior growth being achieved by emerging economies. Inevitably, this tends to restrict the short-term prospects for growth in our dividend income and as Inland Revenue rules governing Approved Investment Trusts demand an 85% distribution ratio, this has the effect of restricting the scope for building our revenue reserves. We should also bear in mind that in 2007 the issued ordinary share capital will increase by 39.7% upon conversion of the preference shares currently in issue. Taking all these factors into account, the Directors are proposing a final dividend of 7p, making an unchanged distribution for the year of 9.5p, which will be payable on 30th November 2005 to shareholders registered on 21st October 2005.

Next year we will be reporting our results under International Financial Reporting Standards. The principal impact is on presentation and disclosure and the more important changes are explained in the Directors' Report on page 14.

We were sorry to lose the services of John Lee who resigned from the Board in July this year because of a potential conflict of interests; we wish him well in the future.

I look forward to welcoming shareholders to our Thirty Third Annual General Meeting to be held in the Lancaster Suite, The Midland, Peter Street, Manchester M60 2DS, at 12.45pm on Thursday, 24th November 2005.

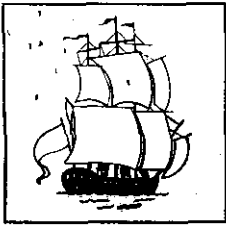
P H A Stanley F C A  
Chairman  
5th October 2005



## Portfolio Investments

as at 31st July 2005

|   | Valuation £'000 | % of Net assets | Sector                             |
|---|-----------------|-----------------|------------------------------------|
| <b>UK Listed including OFEX</b>         |                 |                 |                                    |
| PZ Cussons Ordinary 10p                 | 6,075           | 17.9            | Personal Care & Household Products |
| Royal Dutch Shell 'B' Ordinary EUR 0.07 | 4,798           | 14.2            | Oil & Gas                          |
| BAE SYSTEMS Ordinary 2.5p               | 3,480           | 10.3            | Aerospace & Defence                |
| Mouchel Parkman Group Ordinary 0.25p    | 3,396           | 10.0            | Support Services                   |
| TDG Ordinary 1p                         | 3,375           | 10.0            | Transport                          |
| Standard Chartered Ordinary USD 0.5     | 2,664           | 7.9             | Banks                              |
| Rank Group Ordinary 10p                 | 1,965           | 5.8             | Leisure & Hotels                   |
| Scottish & Newcastle Ordinary 20p       | 1,833           | 5.4             | Beverages                          |
| Inspace Ordinary 2p                     | 1,825           | 5.4             | AIM                                |
| SSL International Ordinary 10p          | 288             | 0.9             | Personal Care & Household Products |
| Other investments                       | 493             | 1.4             |                                    |
|   | <hr/>           | <hr/>           |                                    |
|   | 30,192          | 89.2            |                                    |
| <b>Unlisted at Directors' valuation</b> | 82              | 0.2             |                                    |
|   | <hr/>           | <hr/>           |                                    |
| <b>Total investments</b>                | 30,274          | 89.4            |                                    |
| <b>Net current assets</b>               | 3,591           | 10.6            |                                    |
|   | <hr/>           | <hr/>           |                                    |
| <b>Total net assets</b>                 | 33,865          | 100.0           |                                    |



## Investment Objective and Policy

The principal investment objective is to achieve capital appreciation, together with a reasonable level of income which can be expected to emanate from successful growth companies.

In pursuit of its objective, the Company will not confine itself to any particular sector of the stock market, either in the UK or overseas. This gives greater freedom of choice in the search for investments which may achieve above average growth, and also means the Portfolio could become substantially liquid if the Manager takes an unfavourable view of the outlook for the markets.

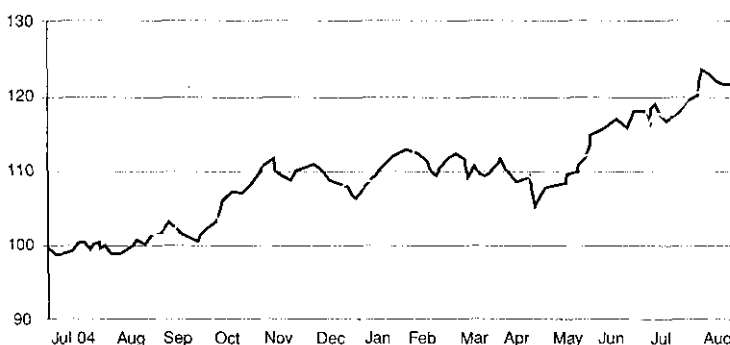
## Investment Manager's Review

Favourable market conditions have continued during the second half of the company's financial year, and there has not been a great deal of change in the general economic background. Merger activity amongst national and international companies has remained at a high level, hedge funds have continued to dominate in this field of activity, the political scene is unchanged and interest rates in both the US and UK remain low (but are now creeping higher evenly balanced on the scales of inflation and recession). The main economic event has been the upward surges in the price of oil and minerals, resulting from the ascendancy of China, India and the Far East in general. Historically, surges of demand have (albeit belatedly) always ultimately been corrected by increases in supply, and we are inclined to believe that history will again repeat itself.

Low interest rates have continued to prevail globally, thus creating huge liquidity and hence a continuation of buoyant stock markets and takeover activity. Although US interest rates are now creeping higher, there does not appear to be any reason to fear a dramatic rise which would choke off the money supply unless there is an unlikely run on the dollar. Nevertheless, uncertainty prevails and, against a deteriorating economic background in both the US and UK and (not surprisingly) Europe, one must ask the question whether stock markets can continue their seemingly inexorable rise. It is for this reason that we are maintaining a liquidity level of around 12% despite our cautionary stance having slightly stunted the growth in the net asset value during the first half of the year under review.

In the meantime, this situation could persist for quite sometime.

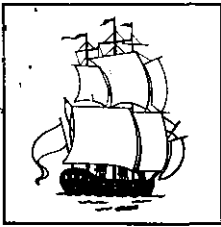
We continue to embrace a broad spectrum of investments in line with our policy of not restricting our interests into any particular category, and we have also spread our funds over a slightly larger number of companies during the last twelve months. We intend to continue this process within the boundaries of our Investment Objective and Policy.



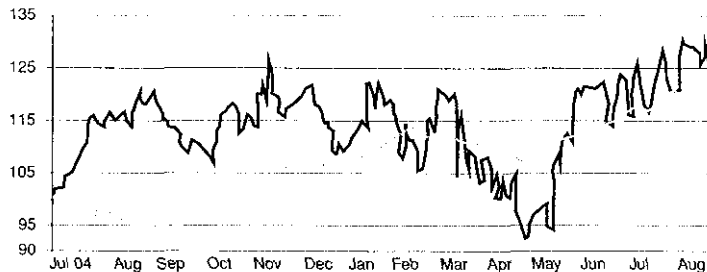
### MANCHESTER & LONDON INVESTMENT TRUST PLC

NET ASSET VALUE  
RELATIVE TO THE FTSE  
ACTUARIES  
ALL-SHARE INDEX

— MLIT NAV  
ALL SHARE



## Principal Portfolio Holdings

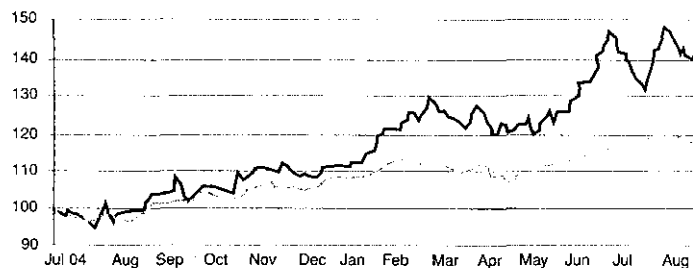


### PZ CUSSONS PLC

RELATIVE TO THE FTSE ACTUARIES ALL-SHARE INDEX

— PZ Cussons  
 - - - All Share

The shares have been volatile during the year under review, but the recent Annual Report confirms favourable conditions now prevail, particularly in Nigeria, which is the Group's largest operating sphere. The high price of oil is not only contributing to profitability, but also to the local currency which is a double bonus. Australia and Indonesia are buoyant, as is China in conjunction with its partner, Haier, in the marketing of white goods (fridges, freezers and air conditioning). The Company's substantial portfolio of investments has also benefited from the recent strength in stock markets and, overall, we believe this is a company which could well attract corporate activity.

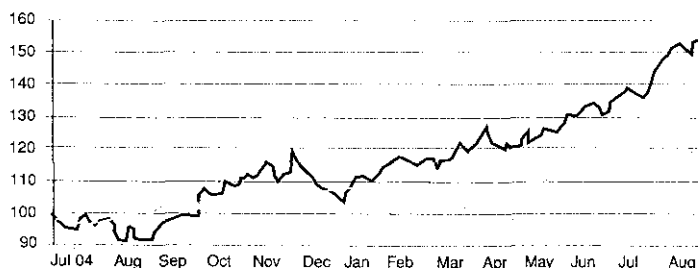


### ROYAL DUTCH SHELL PLC "B"

RELATIVE TO THE FTSE ACTUARIES ALL-SHARE INDEX

— Royal Dutch Shell "B"  
 - - - All Share

Our holding was purchased shortly after the shock announcement of the Company's shortfall in oil reserves and the accompanying scandal which, inter alia, resulted in the consolidation into the now single entity and a conventional management structure. Whilst the Company is still lagging its peers in the global scramble to acquire and develop additional reserves, the sharp rise in the oil price has resulted in a massive cash flow making the shares look cheap. We do not believe, however, that such buoyant conditions are guaranteed to persist indefinitely, particularly as the centre of oil gravity has moved northwards towards Russia, and its vast reserves.

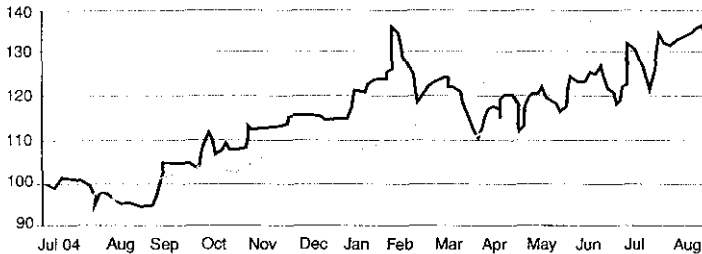
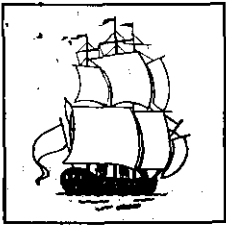


### BAE SYSTEMS PLC

RELATIVE TO THE FTSE ACTUARIES ALL-SHARE INDEX

— BAE SYSTEMS  
 - - - All Share

Since the collapse in profitability in 2000, coupled with the necessity to write down the value of Government contracts, new management has transformed the Company which now has a strong and profitable order book. We believe that there is likely to be rationalisation in the aerospace industry with the possible sale of its Airbus stake and thereafter a merger with US interests. Additionally, the hike in the oil price has benefited the Company, reflecting payment in oil for the ongoing Al Yamamah contract with Saudi Arabia; indeed, it is likely that this will be substantially extended. We believe that the shares still offer scope for growth.

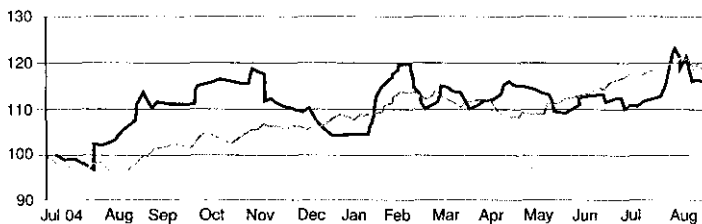


**MOUCHEL PARKMAN PLC**

RELATIVE TO THE FTSE ACTUARIES ALL-SHARE INDEX

— Mouchel Parkman  
- - - All Share

During the year under review, the Company has outperformed the FTSE Actuaries All-Share Index as illustrated in the graph. The Company's chosen markets are dominated by the UK Public sector where Mouchel Parkman are a leading consultancy and service provider to the Highways Agency. Other core markets are property services, water and rail. Whilst the Government will be under pressure to cut back on certain items of maintenance spending, these are unlikely to be in the areas in which the Company specialise, and we anticipate further growth in profits through into 2006.

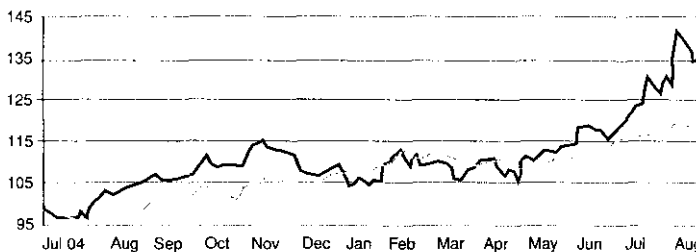


**TDG PLC**

RELATIVE TO THE FTSE ACTUARIES ALL-SHARE INDEX

— TDG  
- - - All Share

TDG is one of the smaller logistics companies which remains listed on the Stock Exchange and which contends that it has just concluded a substantial and ongoing reorganisation which will start to show through in higher profits. Having held the shares for several years (and enjoyed a generous yield in the meantime), there may be the prospect of some growth in the share price, but the oil price hike will not be helpful. This holding will come under careful review in the New Year when we will be looking for positive developments.



**STANDARD CHARTERED PLC**

RELATIVE TO THE FTSE ACTUARIES ALL-SHARE INDEX

— Standard Chartered  
- - - All Share

The Company is an international bank with its roots established in Asia, South Pacific, Middle East, UK and the Americas, for over 200 years. The recent explosive growth in China has illustrated the trading potential in the Pacific Basin, and the Company is ideally positioned for the future. The recent outperformance of the share price justifies the purchase, and it is an additional attraction that approximately 13% of the share capital is held by the estate of the late Khoo Teck Puat which may be considered to be an acquisition platform.

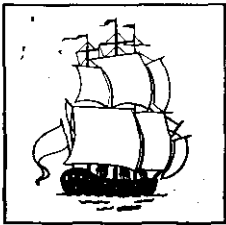


## Investment Record of the Last Ten Years

|   | Total Return<br>£'000 | Return per ordinary share |                    | Dividend<br>per<br>ordinary<br>share<br>p | Total<br>Assets<br>less<br>liabilities<br>£'000 | Net Asset Value<br>per 25p share |                    |
|---|-----------------------|---------------------------|--------------------|---|---|----------------------------------|--------------------|
|   |                       | Basic<br>p                | Fully diluted<br>p |   |   | Basic<br>p                       | Fully diluted<br>p |
| Year ended<br>31st July 1996*                           | 7,595                 | 102.11                    | 73.09              | 1.33                                      | 20,488  | 273.17                           | 195.54             |
| Period from<br>1st August 1996 to<br>8th December 1997* | 13,981                | 187.54                    | 134.36             | 1.33                                      | 34,454  | 449.46                           | 328.83             |
| Period from<br>9th December 1997<br>to 31st July 1998*  | 4,133                 | 48.66                     | 35.19              | 1.50                                      | 37,992  | 496.64                           | 362.60             |
| Year ended<br>31st July 1999*                           | (9,686)               | (129.90)                  | (92.44)            | 1.50                                      | 28,136  | 365.23                           | 268.53             |
| Year ended<br>31st July 2000                            | (10)                  | (0.89)                    | (0.09)             | 2.00                                      | 27,919  | 362.33                           | 266.46             |
| Year ended<br>31st July 2001                            | (3,563)               | (48.27)                   | (34.00)            | 2.50                                      | 24,112  | 311.57                           | 230.13             |
| Year ended<br>31st July 2002                            | (238)                 | (3.93)                    | (2.27)             | 8.50                                      | 23,179  | 299.13                           | 221.22             |
| Year ended<br>31st July 2003                            | 2,441                 | 31.79                     | 23.30              | 9.50                                      | 24,850  | 321.41                           | 237.17             |
| Year ended<br>31st July 2004                            | 5,072                 | 66.87                     | 48.41              | 9.50                                      | 29,152  | 378.77                           | 278.23             |
| Year ended<br>31st July 2005                            | <b>5,486</b>          | <b>72.39</b>              | <b>52.36</b>       | <b>9.50</b>                               | <b>33,865</b>                                   | <b>441.62</b>                    | <b>323.22</b>      |

\* As restated.

The figures previously published for the period December 1981 to July 1995 were prepared in a format which substantially differs from the Statement of Recommended Practice "Financial Statements of Investment Trust Companies". In that period total assets less liabilities increased from £241,000 to £13,005,000. Net assets per 50p share increased from 24.1p to 1298.2p. It is not practical to restate the figures for that period.



## Report of the Directors

The Directors present their report and financial statements for the year ended 31st July 2005.

### Principal Activities and Business Review

A review of the business is included in the Chairman's Statement on page 6 and the Investment Manager's Review on pages 8 to 10.

### Status

The Company carries on business as an investment trust. The last accounting period for which the Company was treated as approved by the Inland Revenue as an investment trust was for the year ended 31st July 2004.

In the opinion of the Directors the Company has conducted its affairs so as to enable it to qualify under Section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 31st July 2005. Approval of investment trust status is granted retrospectively for each accounting period. Formal confirmation of approval by the Inland Revenue will shortly be sought for the year ended 31st July 2005.

The Company is an investment company as defined by Section 266 of the Companies Act 1985.

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

### Individual Savings Accounts

The Company's ordinary shares meet the requirements for inclusion as an investment within an Individual Savings Account (ISA).

### Revenue and Dividends

|  | £'000 |
|--|-------|
| Net revenue for the year after taxation            | 915   |
| Dividends:   |       |
| Preference   | (57)  |
| Ordinary - Interim dividend paid of 2.5p per share | (188) |
| Ordinary - Proposed dividend of 7.0p per share     | (525) |
|  | <hr/> |
| Transfer to reserves                               | 145   |

Subject to approval at the Annual General Meeting the proposed final dividend of 7.0p per ordinary share will be payable on 30th November 2005 to shareholders registered on 21st October 2005.

### Share Valuations

On 31st July 2005, the middle market quotation and the net asset value per 25p ordinary share were respectively 302.5p and 441.6p basic (323.2p fully diluted).

### Substantial holdings in the Company

At 5th October 2005, the Company had been notified of the following holdings of 3 per cent and over of the Company's capital carrying unrestricted voting rights.

|  | Ordinary shares |       |
|--|-----------------|-------|
|  | Number          | %     |
| Manchester & Metropolitan Investment Limited | 4,656,260       | 62.08 |
| B L Davis                                    | 370,000         | 4.93  |

Manchester & Metropolitan Investment Limited is controlled by Mr B S Sheppard and his family.



## Report of the Directors *(continued)*

### Directors

The present members of the Board, together with their biographical details, are listed on page 5. They all served throughout the financial year under review.

Mr J R L Lee also served as a director until his resignation on 18th July 2005.

Mr P H A Stanley retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Mr Stanley has a service contract with the Company requiring six months notice of termination.

Mr B S Sheppard is a director of the Company's investment manager, Midas Investment Management Limited, and, in accordance with the Listing Rules of the UK Listing Authority of the Financial Services Authority, offers himself for re-election annually.

Mr M J Wilbraham, who has served on the Board for more than nine years, also offers himself for re-election annually in accordance with the provisions of the Combined Code on Corporate Governance.

### Directors' Interests

The interests of the Directors in the ordinary shares of the Company are:

|                                 | 31st July 2005<br>Ordinary<br>shares of 25p | 31st July 2004<br>Ordinary<br>shares of 25p |
|---------------------------------|---|---|
| <b>Beneficial Interests</b>     |   |   |
| P H A Stanley FCA               | 6,250                                       | 6,250                                       |
| B S Sheppard                    | -   | -   |
| M J Wilbraham                   | 10,500                                      | 10,500                                      |
| <b>Non-beneficial Interests</b> |   |   |
| B S Sheppard                    | 4,430                                       | 4,430                                       |

No changes in the above interests occurred between 31st July 2005 and 5th October 2005.

### Disclosable Interests

Details of contracts of significance during the year in which Mr B S Sheppard had a material interest are disclosed in Notes 3 and 22 to the financial statements.

All of the preference shares in issue are held by Manchester & Metropolitan Investment Limited.

### Management

Details of the Company's management agreement with Midas Investment Management Limited ("the Investment Manager") are contained in note 3 to the financial statements.

### Creditor Payment Policy

It is the Company's policy to obtain the best terms for all business, including purchases of investments and to abide by those agreed terms.

The Company had no trade creditors at the year end. Creditors in respect of investment purchases are settled in accordance with Stock Exchange regulations.



## Report of the Directors *(continued)*

### Management of financial risk

The major financial risks faced by the Group are market price risk and interest rate risk.

The management of these risks by the Board is explained in note 21 to the financial statements.

### Own shares acquired

Further to the shareholders' resolution of 18th November 2004, the Company purchased 1,000 ordinary shares with a nominal value of £250, and representing 0.013% of the Company's called up ordinary share capital, for a consideration of £3,200 to be held in treasury.

### International Financial Reporting Standards (IFRS)

UK listed companies preparing consolidated financial statements are required to adopt IFRS for accounting periods commencing on or after 1st January 2005. Accordingly, the Company will prepare financial statements for the year to 31st July 2006 in accordance with IFRS which includes the interim report for the period to 31st January 2006. As a result of adopting IFRS there will be a change to the basis of valuation of investments which will, in future, be valued at bid prices rather than mid market prices. To illustrate the effect of this change, UK listed investments at 31st July 2005 were £30,192,000 at mid market and £30,156,000 at bid price. This equates to a fall of 0.12% or 0.3p in the fully diluted net asset value per share. The periodic net asset value announcements will continue to be calculated at mid market prices in accordance with current guidance.

The other significant change under IFRS relates to dividends payable which will only be recorded in the financial statements when the liability actually arises although there will be no change to the Company's dividend payment policy.

### Explanation of the Annual General Meeting Special Resolutions

These resolutions are important and require your immediate attention. If you are in any doubt as to the action you should take, you should consult an appropriate adviser.

If you have sold or otherwise transferred all of your shares in Manchester & London Investment Trust plc you should pass this document to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The notice for the Thirty Third Annual General Meeting of the Company can be found on pages 38-39. There are two items of special business to be considered: namely to seek a renewal of the authority to authorise the directors to allot new shares and to allot a certain number of shares for cash without offering them first to shareholders in proportion to their existing holdings of shares; and to seek a renewal of the authority of the Company to purchase its own shares.

### Resolution 9 Authority to issue shares

Resolution 9, which will be put as a special resolution would, if passed, authorise the Directors to allot up to 2,475,000 new ordinary shares of 25p each (a nominal amount of £618,750) in the Company ("Section 80 Authority") which is an authority for up to 33% of the total ordinary share capital in issue at the date of this report. It would also permit the Directors to allot up to 2,475,000 of such new shares (a nominal amount of £618,750) for



## Report of the Directors *(continued)*

cash without offering them first to shareholders in proportion to their existing holdings of shares ("Section 89 Authority") which would be an authority for up to 33% of the total ordinary share capital in issue at the date of this report.

The Directors consider it to be in the Company's best interests that they would have the authority to be able to issue new ordinary shares as consideration should investment opportunities arise. Whilst the proposed levels of Section 80 Authority are within Investor Protection Committee guidelines the levels of the proposed Section 89 Authority are considerably in excess of the 5% recommended. This is because the Directors also consider, given in particular the shareholding profile of the Company, that it would be in the Company's best interests if they had the flexibility to be able to offer significant numbers of new ordinary shares for cash (otherwise than in accordance with pre-emption rights) to take advantage of appropriate market conditions so as to achieve an increase in the amount of issued share capital in the hands of the public. In this context, shareholders should note that UK Listing Rules require that the issue of shares at a price which is at a discount to the net asset value per share would require a further approval from shareholders. Accordingly, if opportunities did arise whereby a significant number of shares were to be issued pursuant to this authority, then they would be issued at a price either equivalent to or in excess of the then net asset value per share, unless the Directors considered that there were good reasons for there to be a discount in which case there would prior to any such issue need to be a shareholders' meeting to discuss and vote upon the matter.

The Section 89 Authority would also permit the Directors to sell treasury shares for cash without first offering them to existing shareholders in proportion to their holding. Whilst the Directors could, if they felt it appropriate, sell treasury shares for cash at a price below the net asset value per share of those shares, they would not sell treasury shares for cash at a discount lower than the average discount at which they were bought back. This power was used to a limited extent during the last year following the grant of the authority at last year's Annual General Meeting.

The power to allot shares would only be used by the Directors if they believe that to do so would be advantageous to the Company.

The authority contained in resolution 9 will continue until the Annual General Meeting of the Company in 2006 or for 15 months, whichever is sooner, when the directors intend seeking further renewal of the authority.

### **Resolution 10 Authority for the Company to purchase its own shares**

The Directors are seeking shareholders' authority to be able to purchase up to 750,000 of the Company's own ordinary shares (representing 10% of the issued ordinary share capital at the date of this report) in the market at a minimum price of 25p and a maximum price (exclusive of expenses) of the higher of: 5% above the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange daily official list) for the 5 business days before the relevant purchase was made; and the price of the last independent trade and the highest current independent bid for an ordinary share on the London Stock Exchange prior to the purchase.

This authority will, if granted, continue until 23rd November 2006 or, if earlier, the conclusion of the Annual General Meeting in 2006.



## Report of the Directors *(continued)*

The Directors would use this authority with the objective of enhancing shareholder value. Purchases would only be made, within guidelines established from time to time by the Board, through the market for cash at prices below the prevailing net asset value per ordinary share. The main purpose of any share buy backs would be to enhance the net asset value of the remaining ordinary shares, but purchases would also provide liquidity for shareholders wishing to sell their ordinary shares.

As the exercise of this authority would effect the interests of the holders of preference shares in the Company, the resolution is conditional upon the holders of preference shares sanctioning the resolution pursuant to Article 42 of the Company's Articles of Association.

The Directors' current intention would be to hold any bought back shares in treasury. If the Company subsequently wished to sell such treasury shares for cash, special resolution number 9 would permit the disapplication of pre-emption rights on such sales up to the limits referred to in that resolution. Last year a very modest use was made of this authority with a small number of shares being bought into treasury and then sold out for cash after 31st July 2005. As at the date of this report the Company did not hold any treasury shares.

The Directors consider that it would be advantageous to shareholders that they have the authority to make such purchases as and when they consider the timing to be favourable. However, use of this authority, if given, would depend upon market conditions and the Board's judgement as to its likely effectiveness in increasing net asset value per share and/or reducing the discount.

It is proposed that any purchase of ordinary shares would be funded from the Company's own cash resources or, if appropriate, from short term borrowings.

The Board considers resolutions 9 and 10 to be in the best interests of shareholders as a whole and recommends that shareholders vote in favour of each of them.

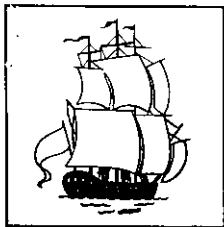
### **Auditors**

With effect from 1st June 2005 the Company's auditors, CLB, changed the name under which they practice to CLB Coopers.

In accordance with Section 385 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for the re-appointment of CLB Coopers as independent auditors of the Company and to authorise the Directors to determine their remuneration.

5th October 2005

*MS*  
By Order of the Board  
D S Balme  
Secretary



## Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. Accordingly, the Board has put in place a framework for corporate governance which it believes is appropriate for an investment trust and which enables it to comply with the relevant provisions of the Combined Code which was issued by the Financial Reporting Council in July 2003.

The Board considers that the Company has complied with the provisions set out in Section 1 of the Combined Code throughout the year to 31st July 2005 except as referred to below. The following statement describes how the Company has applied the relevant principles of Corporate Governance.

### **The Board and Committees**

The Board currently comprises three non-executive directors two of whom are considered to be independent of the Company's investment manager. Mr B S Sheppard is a director of Midas Investment Management Limited and, accordingly, offers himself for re-election annually. As the Board is composed entirely of non-executive directors and executive responsibility for investment management has been delegated to the Company's investment manager there is no Chief Executive Officer. The senior independent director is Mr M J Wilbraham.

All of the Directors of the Company are resident in the UK and their biographical details on page 5 of this report demonstrate the wide range of skills and experience that they bring to the Board. Non-executive Directors are not appointed for a specific term, as the Board believes that long service does not detract from their independence and that a detailed knowledge of the business has a beneficial impact on the running of the Company. All Directors are subject to re-election by rotation, one-third of their number each year, and their re-election is subject to shareholders' approval. All non-executive Directors stand for election at the Annual General Meeting following their appointment. No Director has been in office for more than three years without having offered himself for re-election.

As all the Directors are non-executive a nomination committee and remuneration committee are not considered necessary. The appointment of new Directors is considered by the Board as a whole and new appointees are given a preliminary briefing on the workings of the Company by the Chairman and other appropriate persons. Directors' fees are also considered by the Board as a whole and the Company's policy on remuneration is set out in the Directors' Remuneration Report on page 20.

It is the responsibility of the full Board to ensure that there is effective stewardship of the Company's affairs and that the Company meets its obligations to shareholders. Strategic issues and all operational matters of a material nature are determined by the Board and in order to enable them to discharge their responsibilities all Directors have full and timely access to relevant information. The Board meets regularly and at each meeting reviews investment performance and financial results and monitors compliance with the Company's objectives. The Directors also maintain regular contact with the Investment Manager.

The Board has established a procedure whereby Directors, in the furtherance of their duties, may take independent professional advice at the expense of the Company. The Board also ensures that all Directors continually update the skills and knowledge required to fulfil their role both on the Board and on Board committees. The Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that established Board procedures and applicable rules and regulations are complied with. The performance of individual Directors is evaluated on a regular basis by the Board as a whole.



## Corporate Governance *(continued)*

### ***The Board and Committees (continued)***

The Audit Committee has specific terms of reference, its primary role is to review the accounting policies and the contents of the annual report, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. The Committee regularly monitors and reviews the auditor's independence (including the provision of non-audit services), objectivity and effectiveness. The Audit Committee is also responsible to the Board for making recommendations in relation to the appointment of external auditors. Details of the membership are set out on page 5 and the Committee members are regarded as having recent and relevant financial experience. The Audit Committee has direct access to the external auditors and they are invited to attend the Board Meeting at which the annual accounts are approved. All reports received from the auditors are given full consideration.

The Audit Committee has considered the need for an internal audit function and has recommended that in view of the size of the Company and the internal controls in place this is not necessary at present.

### **Accountability and audit**

The Directors' Statement of Responsibilities in respect of the accounts is on page 19 and a Statement of Going Concern on page 19. The Report of the Auditors is on page 21.

The Directors acknowledge that their responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

### **Internal Financial Control**

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is subject to regular review by the Board and is in accordance with the guidance 'Internal Control : Guidance for Directors on the Combined Code'. The process was fully in place throughout the year and up to the date of approval of the financial statements.

The Board is responsible for ensuring that the Company has in place an effective system of internal financial controls designed to ensure the maintenance of proper accounting records and safeguarding the Company's assets. These systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. The Board recognise their responsibility for regular review of all aspects of internal financial control.

The Board has established a series of parameters which are designed to limit the inherent risk in managing a portfolio of investments. The Board receives regular reports from the Investment Manager which are reviewed in detail.

The Board has contractually delegated responsibility for management of the investment portfolio and the provision of accounting services to external agencies. This is after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation insofar as they relate to the affairs of the Company. As such the Board believes that there is no necessity for an internal audit function. This matter is subject to regular review.

### **Investment Manager**

The Company has a management agreement with Midas Investment Management Limited under which the Investment Manager will manage the Company's portfolio in accordance with the investment policy determined by the Board. The management agreement has a termination period of three months. Details of the fee arrangements with Midas Investment Management Limited are disclosed in note 3 to the financial statements.



## Corporate Governance *(continued)*

### ***Investment Manager (continued)***

The Board regularly considers the appointment of the investment manager and in particular reviews the investment performance and the quality of the personnel employed by the manager. The Directors consider that the continuing appointment of Midas Investment Management Limited on the agreed terms is in the interests of the shareholders as a whole.

### **Exercise of voting powers**

The Company has approved a policy to exercise voting powers on all possible occasions and to vote against resolutions which are not considered to be in the best interests of shareholders.

### **Going concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Relations with Shareholders**

Communications with shareholders are given a high priority, with information provided regularly in interim and annual accounts, and any issues of concern can be addressed to the Board by any shareholder.

All shareholders are encouraged to attend the Annual General Meeting, where they are given an opportunity to question the Chairman and the Board. Separate resolutions are proposed on each issue including a resolution to adopt the annual report and accounts. The Company ensures that all proxy votes are counted and announces the level of proxies lodged on each resolution. The notice period for the Annual General Meeting is at least twenty working days.

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## Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of the revenue and cash flows of the Group for the year. 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.

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

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## Directors' Remuneration Report

This report has been prepared by the Board in accordance with the requirements of Schedule 7A to the Companies Act 1985 in respect of the year ended 31st July 2005. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

Company law requires the Company's auditors to audit certain information set out in this report. Where information has been audited it is indicated as such. The auditors' opinion is included in their report on page 21.

### Remuneration Committee

The Board consists of three Directors all of whom are non-executive. The Board as a whole therefore fulfils the function of a remuneration committee and determines the levels of Directors' fees.

### Policy on Directors' fees

The Company's Articles of Association limit the aggregate fees payable to the Directors to a total of £200,000 per annum. Subject to this overall limit it is the Board's policy that the remuneration of Directors should be set at a level that is commensurate with the duties and responsibilities of the role. The Board also takes into account remuneration levels elsewhere in the investment trust industry and all other relevant information when considering Directors' fees and as a matter of good practice Directors' fees are reviewed annually. It is intended that this policy will continue for the foreseeable future.

Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

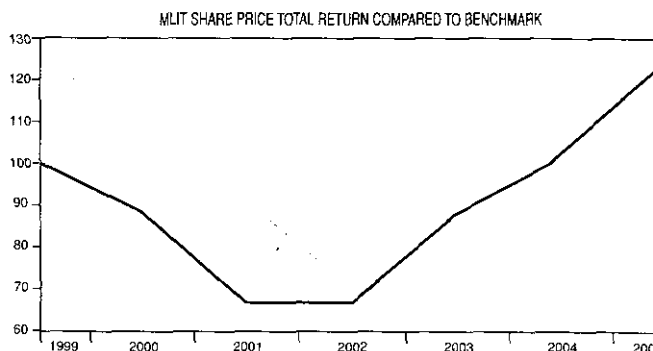
### Directors' Service Contracts

All Directors hold service contracts with the Company requiring six months notice of termination.

### Company Performance

The graph (right) compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on the FTSE All-Share Index. This index was chosen for comparison purposes as it is the benchmark used to measure the Company's investment performance.

— Manchester & London Investment Trust  
FTSE All-Share Total Return Index



### Directors' Emoluments for the year (audited)

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

|                                     | Fees<br>2005<br>£ | Fees<br>2004<br>£ |
|-------------------------------------|-------------------|-------------------|
| P H A Stanley (Chairman)            | 12,000            | 12,000            |
| B S Sheppard                        | 10,000            | 10,000            |
| M J Wilbraham                       | 10,000            | 10,000            |
| J R L Lee (resigned 18th July 2005) | 9,647             | 10,000            |
|                                     | 41,647            | 42,000            |

### Approval

The Directors' Remuneration Report on page 20 was approved by the Board of Directors on 5th October 2005 and signed on its behalf by

P H A Stanley F C A  
Chairman



## Independent Auditors' Report

To the Members of Manchester & London Investment Trust plc

We have audited the financial statements for the year ended 31st July 2005 which comprise the statement of total return, the balance sheets, the cash flow statement and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out on pages 26 and 27. 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 members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

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, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. 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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement and the Investment Manager's Review.

### Basis of audit opinion

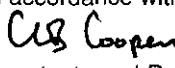
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also 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.

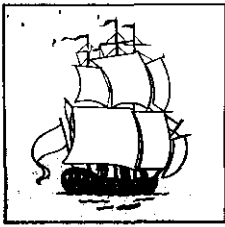
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from 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 of the state of affairs of the Company and the Group at 31st July 2005 and of the net revenue for the year then ended; and
- 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.

CLB Coopers   
Chartered Accountants and Registered Auditors  
Manchester  
5th October 2005



## Consolidated Statement of Total Return (incorporating the revenue account)

For the year ended 31st July 2005

|  | Note | Revenue<br>£'000 | 2005<br>Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | 2004<br>Capital<br>£'000 | Total<br>£'000 |
|--|------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| Gains on investments                                     | 9    | -                | 4,703                    | 4,703          | -                | 4,298                    | 4,298          |
| Income   | 2    | 1,184            | -                        | 1,184          | 1,085            | 43                       | 1,128          |
| Investment management fee                                | 3    | (71)             | (132)                    | (203)          | (56)             | (104)                    | (160)          |
| Other expenses   | 4    | (198)            | -                        | (198)          | (194)            | -                        | (194)          |
| <b>Return on ordinary activities<br/>before taxation</b> |      | <b>915</b>       | <b>4,571</b>             | <b>5,486</b>   | <b>835</b>       | <b>4,237</b>             | <b>5,072</b>   |
| Taxation on ordinary activities                          | 6    | -                | -                        | -              | -                | -                        | -              |
| <b>Return on ordinary activities<br/>after taxation</b>  |      | <b>915</b>       | <b>4,571</b>             | <b>5,486</b>   | <b>835</b>       | <b>4,237</b>             | <b>5,072</b>   |
| Dividends in respect of<br>non-equity shares             | 7    | (57)             | -                        | (57)           | (57)             | -                        | (57)           |
| <b>Return attributable to<br/>equity shareholders</b>    |      | <b>858</b>       | <b>4,571</b>             | <b>5,429</b>   | <b>778</b>       | <b>4,237</b>             | <b>5,015</b>   |
| Dividends in respect of<br>equity shares                 | 7    | (713)            | -                        | (713)          | (713)            | -                        | (713)          |
| <b>Transfer to reserves</b>                              |      | <b>145</b>       | <b>4,571</b>             | <b>4,716</b>   | <b>65</b>        | <b>4,237</b>             | <b>4,302</b>   |
| <b>Return per ordinary share (pence)</b>                 |      |                  |                          |                |                  |                          |                |
| Basic  | 8    | <b>11.44</b>     | <b>60.95</b>             | <b>72.39</b>   | 10.37            | 56.50                    | 66.87          |
| Fully diluted  | 8    | <b>8.73</b>      | <b>43.63</b>             | <b>52.36</b>   | 7.97             | 40.44                    | 48.41          |

The revenue column of this statement is the consolidated profit and loss account of the Group.

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

The notes on pages 26 to 37 form part of these financial statements.



## Consolidated Balance Sheet

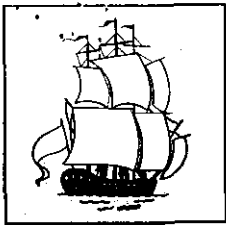
At 31st July 2005

|  | Note | 2005         |                      | 2004         |                      |
|--|------|--------------|----------------------|--------------|----------------------|
|  |      | £'000        | £'000                | £'000        | £'000                |
| <b>Fixed Assets</b>                      |      |              |                      |              |                      |
| Investments                              | 9    |              | 30,274               |              | 26,401               |
| <b>Current Assets</b>                    |      |              |                      |              |                      |
| Debtors                                  | 11   | 64           |                      | 75           |                      |
| Cash and short term deposits             |      | 4,191        |                      | 3,316        |                      |
|  |      | <u>4,255</u> |                      | <u>3,391</u> |                      |
| <b>Creditors</b>                         |      |              |                      |              |                      |
| Amounts falling due within one year      | 12   | (664)        |                      | (640)        |                      |
| <b>Net Current Assets</b>                |      |              | <u>3,591</u>         |              | <u>2,751</u>         |
| <b>Net Assets</b>                        |      |              | <u><b>33,865</b></u> |              | <u><b>29,152</b></u> |
| <b>Capital and Reserves</b>              |      |              |                      |              |                      |
| Called-up Share Capital                  | 13   |              | 2,619                |              | 2,619                |
| Other reserves                           |      |              |                      |              |                      |
| Capital reserve - realised               | 14   |              | 19,049               |              | 18,866               |
| Capital reserve - unrealised             | 14   |              | 9,463                |              | 5,075                |
| Goodwill reserve                         | 14   |              | (79)                 |              | (79)                 |
| Revenue reserve                          | 15   |              | 2,816                |              | 2,671                |
| Own shares                               | 16   |              | (3)                  |              | -                    |
| <b>Total shareholders' funds</b>         | 17   |              | <u><b>33,865</b></u> |              | <u><b>29,152</b></u> |
| Equity interests - Ordinary shares       |      |              | 33,121               |              | 28,408               |
| Non-equity interests - Preference shares |      |              | 744                  |              | 744                  |
|  |      |              | <u><b>33,865</b></u> |              | <u><b>29,152</b></u> |
| <b>Net Asset Value per share</b>         |      |              |                      |              |                      |
| Ordinary shares - basic                  | 18   |              | <u><b>441.6p</b></u> |              | <u><b>378.8p</b></u> |
| Ordinary shares - fully diluted          | 18   |              | <u><b>323.2p</b></u> |              | <u><b>278.2p</b></u> |

The financial statements on pages 22 to 37 were approved by the Board of Directors on 5th October 2005 and are signed on their behalf by:

P H A Stanley  
B S Sheppard  
Directors

The notes on pages 26 to 37 form part of these financial statements.


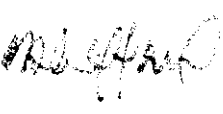


## Company Balance Sheet

At 31st July 2005

|  | Note | 2005         |               | 2004         |               |
|--|------|--------------|---------------|--------------|---------------|
|  |      | £'000        | £'000         | £'000        | £'000         |
| <b>Fixed Assets</b>                      |      |              |               |              |               |
| Investments                              | 9    |              | 30,274        |              | 26,401        |
| Subsidiary undertakings                  | 10   |              | 17            |              | 17            |
|  |      |              | <u>30,291</u> |              | <u>26,418</u> |
| <b>Current Assets</b>                    |      |              |               |              |               |
| Debtors                                  | 11   | 64           |               | 75           |               |
| Cash and short term deposits             |      | 4,191        |               | 3,316        |               |
|  |      | <u>4,255</u> |               | <u>3,391</u> |               |
| <b>Creditors</b>                         |      |              |               |              |               |
| Amounts falling due within one year      | 12   | (681)        |               | (657)        |               |
| <b>Net Current Assets</b>                |      |              | 3,574         |              | 2,734         |
| <b>Net Assets</b>                        |      |              | <u>33,865</u> |              | <u>29,152</u> |
| <b>Capital and Reserves</b>              |      |              |               |              |               |
| Called-up Share Capital                  | 13   |              | 2,619         |              | 2,619         |
| Other reserves                           |      |              |               |              |               |
| Capital reserve - realised               | 14   |              | (4,616)       |              | (4,799)       |
| Capital reserve - unrealised             | 14   |              | 9,463         |              | 5,075         |
| Goodwill reserve                         | 14   |              | (79)          |              | (79)          |
| Revenue reserve                          | 15   |              | 26,481        |              | 26,336        |
| Own shares                               | 16   |              | (3)           |              | -             |
| <b>Total shareholders' funds</b>         |      |              | <u>33,865</u> |              | <u>29,152</u> |
| Equity interests – Ordinary shares       |      |              | 33,121        |              | 28,408        |
| Non-equity interests – Preference shares |      |              | 744           |              | 744           |
|  |      |              | <u>33,865</u> |              | <u>29,152</u> |

The financial statements on pages 22 to 37 were approved by the Board of Directors on 5th October 2005 and are signed on their behalf by:

  
  
 P H A Stanley  
 B S Sheppard  
 Directors

The notes on pages 26 to 37 form part of these financial statements.



## Consolidated Cash Flow Statement

For the year ended 31st July 2005

|   | Note | 2005    |              | 2004    |                |
|---|------|---------|--------------|---------|----------------|
|   |      | £'000   | £'000        | £'000   | £'000          |
| <b>Operating activities</b>                                     |      |         |              |         |                |
| Investment income received                                      |      | 1,008   |              | 1,083   |                |
| Interest received   |      | 187     |              | 126     |                |
| Investment management fees paid                                 |      | (189)   |              | (161)   |                |
| Other cash payments   |      | (191)   |              | (252)   |                |
| Net cash inflow from operating activities                       | 19   |         | 815          |         | 796            |
| <b>Servicing of finance</b>                                     |      |         |              |         |                |
| Preference dividend paid  |      | (57)    |              | (57)    |                |
| Net cash outflow from servicing of finance                      |      |         | (57)         |         | (57)           |
| <b>Financial investment</b>                                     |      |         |              |         |                |
| Purchase of investments   |      | (9,738) |              | (5,665) |                |
| Sale of investments   |      | 10,568  |              | 3,667   |                |
| Net cash inflow (outflow) from financial investment             |      |         | 830          |         | (1,998)        |
| <b>Financing</b>  |      |         |              |         |                |
| Repayment of loan from holding company                          |      | -       |              | (5,413) |                |
| Net cash outflow from financing                                 |      |         | -            |         | (5,413)        |
| <b>Equity dividends paid</b>                                    |      |         | (713)        |         | (713)          |
| <b>Increase (decrease) in cash</b>                              |      |         | <b>875</b>   |         | <b>(7,385)</b> |
| <b>Reconciliation of net cash flow to movement in net funds</b> |      |         |              |         |                |
| Increase (decrease) in cash in year                             |      |         | 875          |         | (7,385)        |
| Net funds at beginning of year                                  |      |         | 3,316        |         | 10,701         |
| <b>Net funds at end of year</b>                                 | 20   |         | <b>4,191</b> |         | <b>3,316</b>   |



## Notes Forming Part of the Financial Statements

For the year ended 31st July 2005

### 1 Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

#### a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The financial statements have been prepared in accordance with applicable Accounting Standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued in January 2003. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

#### b) Basis of consolidation

The consolidated statement of total return and balance sheet include the financial statements of the Company and its subsidiary undertakings made up for the year ended 31st July 2005.

A separate revenue account for the Parent Company is not presented as provided by Section 230 of the Companies Act 1985.

#### c) Intangible assets - goodwill

Goodwill including negative goodwill arising on the acquisition of subsidiary undertakings, representing any excess or discount of the fair value of the consideration given over the fair value of the verifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is taken to be a maximum of five years. Provision is made for any impairment.

Goodwill arising on consolidation prior to 1st August 1998 has been written off against reserves on acquisition as a matter of accounting policy.

#### d) Valuation of investments

Listed investments are valued at middle market prices. Where trading in the securities of a company is suspended, the investment is valued at the market price when suspended where this accords with the Directors' estimate of fair value.

Unlisted investments are valued at the Directors' estimate of fair value by reference to the following valuation guidelines - asset values, earnings, dividends and any other relevant factors.

Realised gains or losses on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve-realised, and unrealised gains or losses on the revaluation of investments are taken to capital reserve-unrealised.

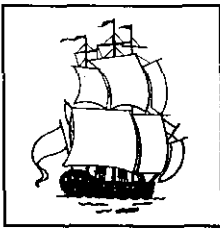
#### e) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Group's right to receive payment is established. Special dividends representing a return of capital are credited to capital reserves.

Fixed returns on non-equity shares are recognised on a time apportionment basis so as to reflect the effective yield on the shares.

Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income, any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

UK dividends are accounted for net of any related tax credit.



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

### 1 Accounting policies (continued)

#### f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment.
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.
- expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fees have been allocated 65% to capital reserve-realised and 35% to revenue account, in line with the Directors' expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Group.

#### g) Finance costs

Finance costs, including dividends and other finance costs of non-equity shares, are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Group's investments or to financing activities aimed at maintaining or enhancing the value of the Group's investments, are allocated in line with the Directors' expected long-term split of returns, in the form of capital gains and income, attributable to the Group's investment portfolio as follows:

|                          | Capital reserve-realised | Revenue |
|--------------------------|--------------------------|---------|
| Equity portfolio         | 65%                      | 35%     |
| Fixed interest portfolio | 20%                      | 80%     |

#### h) Taxation

The tax effect of different items of income and expenditure is allocated between capital and revenue on the same basis as the particular items to which it relates.

Deferred tax is provided in accordance with FRS 19 on all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are only recognised to the extent that they are considered to be recoverable.

#### i) Capital Reserve

Capital reserve - realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments.
- expenses and finance costs, together with the related taxation effect, are charged to this reserve in accordance with the above policies.

Capital reserve - unrealised

The following are accounted for in this reserve:

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



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

|                                | 2005<br>£'000 | 2004<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>2 Income</b>                |               |               |
| <b>Income from investments</b> |               |               |
| UK dividends                   | 992           | 967           |
| <b>Other income</b>            |               |               |
| Deposit interest               | 192           | 118           |
| <b>Total income</b>            | <u>1,184</u>  | <u>1,085</u>  |
| <b>Total income comprises</b>  |               |               |
| Dividends                      | 992           | 967           |
| Interest                       | 192           | 118           |
|                                | <u>1,184</u>  | <u>1,085</u>  |
| <b>Income from investments</b> |               |               |
| Listed UK                      | 992           | 967           |
| Unlisted                       | -             | -             |
|                                | <u>992</u>    | <u>967</u>    |

In addition, during the year ended 31st July 2004, the Company received capital dividends amounting to £43,000.

### 3 Investment management fee

|                           | Revenue<br>£'000 | 2005<br>Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | 2004<br>Capital<br>£'000 | Total<br>£'000 |
|---------------------------|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| Investment management fee | 60               | 112                      | 172            | 48               | 89                       | 137            |
| Irrecoverable VAT thereon | 11               | 20                       | 31             | 8                | 15                       | 23             |
|                           | <u>71</u>        | <u>132</u>               | <u>203</u>     | <u>56</u>        | <u>104</u>               | <u>160</u>     |

Midas Investment Management Limited provides investment services to the company under a management agreement with a termination period of three months. The quarterly fee is 0.5% of the total portfolio value including cash and short term deposits, payable in arrears. The fee is subject to VAT at the appropriate rate.

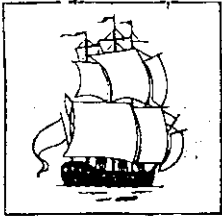
The investment management fee is chargeable 35% to revenue and 65% to capital.



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

|  | 2005<br>£'000 | 2004<br>£'000 |
|--|---------------|---------------|
| <b>4 Other expenses</b>  |               |               |
| Directors' fees  | 42            | 42            |
| Staff costs (Note 5)   | 10            | 20            |
| Auditors' remuneration for   |               |               |
| - audit  | 24            | 23            |
| - other services for the group   | 5             | 5             |
| Registrar fees   | 7             | 10            |
| Other expenses   | 110           | 94            |
|  | <u>198</u>    | <u>194</u>    |
| <br>   |               |               |
| <b>5 Staff costs</b>   |               |               |
| Wages and salaries   | 7             | 16            |
| Social security costs  | 3             | 4             |
|  | <u>10</u>     | <u>20</u>     |
| <br>   |               |               |
| Included in Directors' fees above are the emoluments paid to the Chairman<br>as follows: |               |               |
|  | £             | £             |
| P H A Stanley  | <u>12,000</u> | <u>12,000</u> |



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

### 6 Taxation on ordinary activities

|   | Revenue<br>£'000 | 2005<br>Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000 | 2004<br>Capital<br>£'000 | Total<br>£'000 |
|---|------------------|--------------------------|----------------|------------------|--------------------------|----------------|
| <b>Total current tax for the year</b>   | -                | -                        | -              | -                | -                        | -              |
| The tax charge for the year is lower than the standard rate of corporation tax in the UK and the differences are explained below: |                  |                          |                |                  |                          |                |
| Return on ordinary activities before taxation   | 915              | 4,571                    | 5,486          | 835              | 4,237                    | 5,072          |
| Tax on return on ordinary activities at 30% (2004 30%)  | 275              | 1,371                    | 1,646          | 251              | 1,271                    | 1,522          |
| Reconciling factors:  |                  |                          |                |                  |                          |                |
| Non taxable income  | (297)            | -                        | (297)          | (290)            | -                        | (290)          |
| Non taxable capital dividends   | -                | -                        | -              | -                | (13)                     | (13)           |
| Non taxable capital gains   | -                | (1,411)                  | (1,411)        | -                | (1,289)                  | (1,289)        |
| Excess of allowable expenses over taxable income  | 22               | 40                       | 62             | 39               | 31                       | 70             |
| Current year tax charge   | -                | -                        | -              | -                | -                        | -              |

The Company's taxable income is exceeded by its management expenses, which include the capital and revenue elements of the management fee. The Company has surplus management expenses at 31st July 2005 of £1,833,000 (2004 £1,624,000).

As at 31st July 2005 there is an unrecognised deferred tax asset, measured at the standard rate of 30%, of £550,000 (2004 £487,000). This deferred tax asset relates to prior year unutilised management expenses. It is considered uncertain that there will be sufficient taxable profits in the future against which the deferred tax asset can be offset and thus the asset has not been recognised.

As at 31st July 2005 the Company has unrelieved capital losses carried forward of £7,050,000 (2004 £7,050,000). There is a related unrecognised deferred tax asset, measured at the standard rate of 30%, of £2,115,000 (2004 £2,115,000). The capital losses can only be utilised in the event that the Company does not qualify as an investment trust in the future and as such the asset has not been recognised.



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

|   | 2005<br>£'000 | 2004<br>£'000 |
|---|---------------|---------------|
| <b>7 Dividends and other appropriations</b> |               |               |
| Dividends on non-equity shares:             |               |               |
| 7.6% cumulative preference shares           | <u>57</u>     | <u>57</u>     |
| Dividends on equity shares:                 |               |               |
| Ordinary interim paid                       | 188           | 188           |
| Ordinary final proposed                     | <u>525</u>    | <u>525</u>    |
|   | <u>713</u>    | <u>713</u>    |
| The dividends per share are:                |               |               |
| Interim dividend per ordinary share paid    | <u>2.5p</u>   | <u>2.5p</u>   |
| Final dividend per ordinary share proposed  | <u>7.0p</u>   | <u>7.0p</u>   |

### 8 Return per ordinary share

#### Basic revenue return

Revenue return per ordinary share is based on the consolidated revenue return attributable to equity shareholders of £858,000 (2004 £778,000).

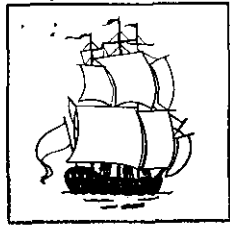
#### Basic capital return

Capital return per ordinary share is based on the consolidated capital return attributable to equity shareholders of £4,571,000 (2004 £4,237,000).

The revenue and capital return are both based on 7,500,000 ordinary shares, being the number of shares of the company in issue at the 31st July 2005.

#### Fully diluted return

The fully diluted returns per ordinary share have been calculated on the assumption that the 744,420 preference shares in issue on 31st July 2005 are converted into four ordinary shares in respect of each preference share creating a further 2,977,680 ordinary shares.



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

### 9 Fixed Asset Investments

|                                   | Group         |               | Company       |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000 | 2004<br>£'000 |
| Investments as below              | 30,274        | 26,401        | 30,274        | 26,401        |
| Subsidiary undertakings (Note 10) | -             | -             | 17            | 17            |
|                                   | <u>30,274</u> | <u>26,401</u> | <u>30,291</u> | <u>26,418</u> |

|  | UK Listed     | Group             | Total         | UK Listed     | Company           | Total         |
|--|---------------|-------------------|---------------|---------------|-------------------|---------------|
|  | £'000         | Unlisted<br>£'000 |               | £'000         | Unlisted<br>£'000 |               |
| At 31st July 2004                                  |               |                   |               |               |                   |               |
| Opening book cost                                  | 21,249        | 77                | 21,326        | 21,249        | 94                | 21,343        |
| Opening unrealised appreciation                    | 5,073         | 2                 | 5,075         | 5,073         | 2                 | 5,075         |
| Opening valuation                                  | <u>26,322</u> | <u>79</u>         | <u>26,401</u> | <u>26,322</u> | <u>96</u>         | <u>26,418</u> |
| Movements in the year:                             |               |                   |               |               |                   |               |
| Purchases at cost                                  | 9,685         | 53                | 9,738         | 9,685         | 53                | 9,738         |
| Sales - proceeds                                   | (10,568)      | -                 | (10,568)      | (10,568)      | -                 | (10,568)      |
| - realised gains on sales                          | 315           | -                 | 315           | 315           | -                 | 315           |
| Increase in unrealised appreciation (depreciation) | 4,438         | (50)              | 4,388         | 4,438         | (50)              | 4,388         |
| Closing valuation                                  | <u>30,192</u> | <u>82</u>         | <u>30,274</u> | <u>30,192</u> | <u>99</u>         | <u>30,291</u> |
| Closing book cost                                  | 20,681        | 130               | 20,811        | 20,681        | 147               | 20,828        |
| Closing unrealised appreciation (depreciation)     | 9,511         | (48)              | 9,463         | 9,511         | (48)              | 9,463         |
| At 31st July 2005                                  | <u>30,192</u> | <u>82</u>         | <u>30,274</u> | <u>30,192</u> | <u>99</u>         | <u>30,291</u> |

|                                      | Group         |               | Company       |               |
|--------------------------------------|---------------|---------------|---------------|---------------|
|                                      | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000 | 2004<br>£'000 |
| Realised gains (losses) on disposals | 315           | (188)         | 315           | (188)         |
| Increase in unrealised appreciation  | 4,388         | 4,486         | 4,388         | 4,486         |
| Gains on investments                 | <u>4,703</u>  | <u>4,298</u>  | <u>4,703</u>  | <u>4,298</u>  |



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

### 10 Subsidiary undertakings

|                | Company       |               |
|----------------|---------------|---------------|
|                | 2005<br>£'000 | 2004<br>£'000 |
| Shares at cost | 17            | 17            |

The Company has investments in the following subsidiary undertakings:

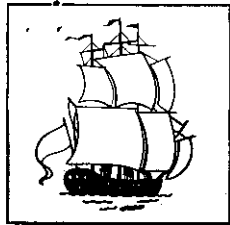
| Name of undertaking                       | Principal Activity         | Country of<br>incorporation and<br>operation | % of shares held   |                      |
|---|----------------------------|--|--------------------|----------------------|
|   |                            |  | ordinary<br>shares | preference<br>shares |
| Beacontree Plaza Limited                  | Investment holding company | England                                      | 100                | 100                  |
| Saintclose Limited                        | Dormant                    | England                                      | 100                | -                    |
| Beaconbranch Limited                      | Dormant                    | England                                      | 100                | -                    |
| Darethrift Limited                        | Dormant                    | England                                      | 100                | -                    |
| Fileglow Limited                          | Dormant                    | England                                      | 100                | -                    |
| Zealgate Limited                          | Dormant                    | England                                      | 100                | -                    |
| Manchester & London<br>Securities Limited | Dormant                    | England                                      | 100                | -                    |

All of these subsidiary undertakings are included in the consolidation.

### 11 Debtors

|                                | Group         |               | Company       |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000 | 2004<br>£'000 |
| Investment debtor              | 41            | 41            | 41            | 41            |
| Other debtors                  | -             | 16            | -             | 16            |
| Prepayments and accrued income | 23            | 18            | 23            | 18            |
|                                | 64            | 75            | 64            | 75            |

This investment debtor at 31st July 2004 was due in more than one year.



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

### 12 Creditors - Amounts falling due within one year

|                                       | Group         |               | Company       |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2005<br>£'000 | 2004<br>£'000 | 2005<br>£'000 | 2004<br>£'000 |
| Amount due to subsidiary undertakings | -             | -             | 17            | 17            |
| Proposed dividend                     | 525           | 525           | 525           | 525           |
| Other creditors and accruals          | 139           | 115           | 139           | 115           |
|                                       | <u>664</u>    | <u>640</u>    | <u>681</u>    | <u>657</u>    |

### 13 Share Capital

|  | 2005<br>£'000 | 2004<br>£'000 |
|--|---------------|---------------|
| Authorised:                            |               |               |
| 16,000,000 Ordinary shares of 25p each | 4,000         | 4,000         |
| 1,000,000 Preference shares of £1 each | <u>1,000</u>  | <u>1,000</u>  |
| Allotted, called up and fully paid:    |               |               |
| 7,500,000 Ordinary shares of 25p each  | 1,875         | 1,875         |
| 744,420 Preference shares of £1 each   | 744           | 744           |
|  | <u>2,619</u>  | <u>2,619</u>  |

The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 7.6% p.a. payable half-yearly in arrears, on 15th January and 15th July. The dividend rights are cumulative.

The preference shares rank ahead of the ordinary shares on a winding-up in respect of both repayment of capital and arrears of dividend but do not carry any further rights to participate in profits or assets.

Holders of preference shares do not have the right to attend and vote at any general meeting unless the dividend is more than six months in arrears, or the business of the meeting includes a resolution for the winding-up of the Company, in which event each holder will be entitled to one vote on a show of hands or four votes per share on a poll.

The preference shares are converted automatically into ordinary shares on the basis of four ordinary shares for each preference share on 19th September 2007 or earlier on the occurrence of certain events as provided for in the Company's Articles of Association.

In the event that the Company makes any adjustment to the ordinary share capital, the ordinary shares arising on conversion will represent the same percentage of the enlarged issued share capital as would have been the case prior to the adjustment.



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

| 14 Other Reserves                                      | Group         | Company      |
|--|---------------|--------------|
|  | £'000         | £'000        |
| At 31st July 2004                                      | 23,862        | 197          |
| Gains on realisation of investments                    | 315           | 315          |
| Increase in net unrealised appreciation of investments | 4,388         | 4,388        |
| Costs charged to capital                               | (132)         | (132)        |
| At 31st July 2005                                      | <u>28,433</u> | <u>4,768</u> |
| Represented by:  |               |              |
| Capital reserve – realised                             | 19,049        | (4,616)      |
| Capital reserve – unrealised                           | 9,463         | 9,463        |
| Goodwill reserve                                       | (79)          | (79)         |
| At 31st July 2005                                      | <u>28,433</u> | <u>4,768</u> |

| 15 Revenue Reserve   | Group        | Company       |
|----------------------|--------------|---------------|
| At 31st July 2004    | 2,671        | 26,336        |
| Retained net revenue | 145          | 145           |
| At 31st July 2005    | <u>2,816</u> | <u>26,481</u> |

### 16 Own shares

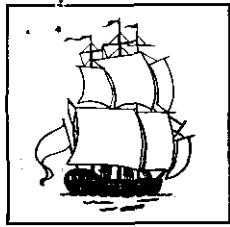
On 29th July 2005 the Company, in accordance with the authority conferred at the Annual General Meeting held on 18th November 2004, purchased 1,000 of its own ordinary shares for consideration amounting to £3,200 to be held in treasury. These were subsequently sold shortly after the year end.

| 17 Reconciliation of movements in shareholders' funds | Group         |               |
|---|---------------|---------------|
|   | 2005          | 2004          |
|   | £'000         | £'000         |
| Opening shareholders' funds                           | 29,152        | 24,850        |
| Movements during the year:                            |               |               |
| Total recognised gains and losses                     | 5,486         | 5,072         |
| Dividends appropriated                                | (770)         | (770)         |
| Own shares purchased                                  | (3)           | -             |
| Closing shareholders' funds                           | <u>33,865</u> | <u>29,152</u> |

### 18 Net asset value per share

Basic net asset value per share is based on equity shareholders' funds of £33,121,000 (2004 £28,408,000) and on 7,500,000 ordinary shares, being the number of shares in issue on 31st July 2005.

Fully diluted net asset value per share is based on equity shareholders' funds of £33,865,000 (2004 £29,152,000) and on 10,477,680 ordinary shares, assuming that the 744,420 preference shares in issue on 31st July 2005 are converted into four ordinary shares in respect of each preference share creating a further 2,977,680 ordinary shares.



## Notes Forming Part of the Financial Statements *(continued)*

For the year ended 31st July 2005

### 19 Reconciliation of net revenue before finance costs to net cash inflow from operating activities

|  | 2005<br>£'000 | 2004<br>£'000 |
|--|---------------|---------------|
| Net revenue return before taxation           | 915           | 835           |
| Investment management fee charged to capital | (132)         | (104)         |
| Capital dividends                            | -             | 43            |
| Decrease in other debtors and prepayments    | 11            | 83            |
| Increase (decrease) in accruals              | 21            | (61)          |
| Net cash inflow from operating activities    | <u>815</u>    | <u>796</u>    |

### 20 Analysis of changes in net funds

|              | 31st July<br>2004<br>£'000 | Cash<br>flows<br>£'000 | 31st July<br>2005<br>£'000 |
|--------------|----------------------------|------------------------|----------------------------|
| Cash at bank | <u>3,316</u>               | <u>875</u>             | <u>4,191</u>               |

### 21 Financial Instruments

In order to manage its portfolio efficiently and to enable the investment manager to pursue the investment objectives as set out on page 8 the company holds financial instruments. All financial instruments are included in the balance sheet at fair value and comprise securities, cash and loan balances, debtors and creditors arising directly from financial operations. The Group also has the ability to enter into derivative transactions. No such transactions were entered into during the year.

The main risk arising from the Group's financial instruments is market price risk. There is also exposure to interest rate risk. The Board regularly reviews and agrees policies for managing these risks as summarised below:

#### Market price risk

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Group might suffer through holding market positions in the face of price movements. The investment manager actively monitors market prices throughout the year and reports to the Board which meets regularly to review investment strategy.

Details of the investments held at 31st July 2005 are shown in the 'Portfolio Investments' table on page 7.

#### Interest rate risk

The Group has financial assets comprising cash and short term deposits which are subject to the prevailing floating market interest rates.

There are no fixed rate borrowings at 31st July 2005.

As all of the Group's financial instruments are denominated in sterling, there is no currency risk.

The Group currently has no requirement for any bank borrowing facilities. At 31st July 2004 the Group had an undrawn committed bank borrowing facility amounting to £5,000,000.

The Company has issued 7.6% cumulative preference shares, the details of which are shown in note 13. The fair value of these at 31st July 2005 is not materially different to their book value.



## Notes Forming Part of the Financial Statements *(continued)*

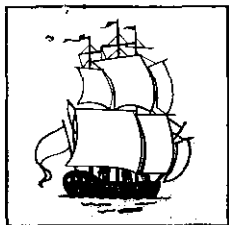
*For the year ended 31st July 2005*

### **22 Related Party Transactions**

- i) The investment manager of the Company is Midas Investment Management Limited, a company controlled by Mr B S Sheppard. Midas Investment Management Limited receives a quarterly investment management fee for these services which in the year under review amounted to a total of £149,035 (2004 £121,809) excluding VAT, together with a corporate fee for acting as financial advisor and broker amounting to £23,750 (2004 £15,000) excluding VAT. The balance owing at 31st July 2005 was £51,094 (2004 £36,701).
- ii) During the year, the Company disposed of two of its listed investment holdings to Manchester & Metropolitan Investment Limited, a company controlled by Mr B S Sheppard and his family, at market value. The total consideration for these transactions amounted to £316,000. There were no balances owing in respect of these transactions at 31st July 2005.

### **23 Ultimate Control**

The holding company throughout the year and the previous year was Manchester & Metropolitan Investment Limited, a company incorporated in England. This company was controlled throughout the year and the previous year by Mr B S Sheppard and his family.



## Notice of Meeting

Notice is hereby given that the Thirty Third Annual General Meeting of Manchester & London Investment Trust plc will be held at The Midland, Peter Street, Manchester M60 2DS, on Thursday 24th November 2005, at 12.45pm for the following purposes:

1. To adopt the Directors' Report and Statement of Accounts for the year ended 31st July 2005.
2. To approve the Directors' Remuneration Report.
3. To declare a Dividend.
4. To re-elect Mr P H A Stanley as a Director of the Company.
5. To re-elect Mr B S Sheppard as a Director of the Company.
6. To re-elect Mr M J Wilbraham as a Director of the Company.
7. To re-appoint CLB Coopers as Auditors and to authorise the Directors to determine their remuneration.
8. To transact any other ordinary business.

### As Special Business

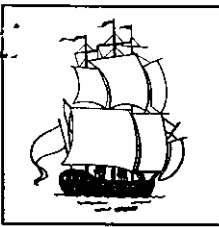
To consider and if thought fit pass the following resolutions both of which will be proposed as special resolutions:-

9. That:

- (a) for the purposes of Article 5.1 of the Company's Articles of Association, the Section 80 amount shall be a nominal amount of £618,750 and the prescribed period shall be from the date of passing of this resolution to the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution, whichever is earlier;
- (b) for the purposes of Article 5.2 of the Company's Articles of Association, the Section 89 amount shall be a nominal amount of £618,750 and the prescribed period shall be from the date of passing of this resolution to the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution, whichever is earlier.

10. That (subject to the passing of an extraordinary resolution of the holders of preference shares pursuant to Article 42 of the Articles of Association of the Company) the Company be and is hereby generally and unconditionally authorised, in accordance with section 166 of the Companies Act 1985 ("the Act"), to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 25p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the directors may from time to time determine provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 750,000;
- (b) the minimum price which may be paid for an Ordinary Share is 25p;
- (c) the maximum price which may be paid for an Ordinary Share (exclusive of expenses) is an amount equal to the higher of:
  - (i) 105% of the average of the middle market quotation for an Ordinary Share (as derived from the London Stock Exchange Daily Official List) for the 5 business days immediately preceding the date on which the Ordinary Share is contracted to be purchased; and
  - (ii) the price of the last independent trade and the highest current independent bid for an Ordinary Share on the London Stock Exchange prior to the purchase;
- (d) the minimum and maximum prices for an Ordinary Share referred to in sub-paragraphs (b) and (c) of this resolution are, in each case, exclusive of any expenses payable by the Company;



## Notice of Meeting *(continued)*

- (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 12 months from the date of this resolution, whichever is earlier unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
- (f) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed or executed wholly or partly after the expiry of such authority.

5th October 2005

Registered Office

2nd Floor  
Arthur House  
Chorlton Street  
Manchester M1 3FH

By Order of the Board

A handwritten signature in black ink, appearing to read 'D S Balme'.

D S Balme  
Secretary

### Notes :

1. A Member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.
2. The Register of Directors' interests kept by the Company in accordance with Section 325 of the Companies Act 1985 will be available for inspection at the Annual General Meeting.
3. Copies of Directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours until Wednesday 23rd November 2005 and at The Midland, Peter Street, Manchester M60 2DS, from 12.30pm on Thursday 24th November 2005 until the conclusion of the meeting.



## Shareholder Benefits

All shareholders with 2,500 shares (excluding the officers of the Company) are qualified to participate in a draw undertaken by the Directors before the Annual General Meeting in respect of The All England Lawn Tennis Ground Ltd Debentures listed below. The investment policy of the Company may result in some or all of the Debentures being sold in which event the benefits would cease.

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### **The All England Lawn Tennis Ground Ltd.**

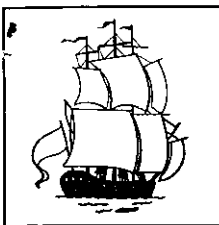
#### *Centre Court*

The Company owns two Debentures entitling it to two Centre Court seats (together with two badges admitting entry to the Debenture Holders' Lounge) for the thirteen days play of the Championships. There will be thirteen draws, each draw entitling the successful shareholder to one pair of adjacent seats for one day's play.

#### *No. 1 Court*

The Company owns two Debentures entitling it to two No. 1 Court seats (together with two badges admitting entry to the No. 1 Court Debenture Holders' Lounge) for the ten days play of the Championships. There will be ten draws, each draw entitling the successful shareholder to one pair of adjacent seats for one day's play.

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## Form of Proxy

(BLOCK LETTERS PLEASE)

I/We

of

being (a) member(s) of the above named Company, hereby appoint the Chairman of the Meeting\*

as my/our proxy to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at The Midland, Peter Street, Manchester M60 2DS, on the 24th Day of November 2005 at 12.45pm and at any adjournment thereof.

\*If you wish to appoint as proxy any person other than the Chairman of the Meeting, delete Chairman of Meeting and insert the name and address of the person you wish to appoint as proxy in the space provided.

I/We direct my / our proxy to vote as follows at the Annual General Meeting.

| Ordinary Resolutions   | For | Against |
|--|-----|---------|
| 1. To adopt the Report and Accounts for the year ended 31st July 2005.                                   |     |         |
| 2. To approve the Directors' Remuneration Report.  |     |         |
| 3. To declare a Dividend.  |     |         |
| 4. To re-elect Mr P H A Stanley as a Director of the Company.  |     |         |
| 5. To re-elect Mr B S Sheppard as a Director of the Company.   |     |         |
| 6. To re-elect Mr M J Wilbraham as a Director of the Company.  |     |         |
| 7. To re-appoint CLB Coopers as Auditors and to authorise the Directors to determine their remuneration. |     |         |
| 8. To transact any other ordinary business.  |     |         |
| <b>Special Resolutions</b>   |     |         |
| 9. Authority to issue shares.  |     |         |
| 10. Authority for the Company to purchase its own shares.  |     |         |

Please indicate with an 'X' in the appropriate spaces how you wish your votes to be cast. Unless instructed, the proxy will vote or abstain from voting at his/her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

Signature \_\_\_\_\_

Notes:

- (1) This proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the registered office of the company not less than 48 hours before the time for the meeting.
- (2) In the case of a corporation, the proxy must be under its common seal if any, or if none, under the hand of an attorney or an officer of the corporation duly authorised in that behalf.
- (3) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (4) A proxy need not be a member of the company.

2nd FOLD

BUSINESS REPLY SERVICE  
Licence No MR7433



**MANCHESTER & LONDON INVESTMENT TRUST plc**  
2ND FLOOR  
ARTHUR HOUSE  
CHORLTON STREET  
MANCHESTER  
M1 9TZ

1st FOLD

3rd FOLD AND TUCK IN