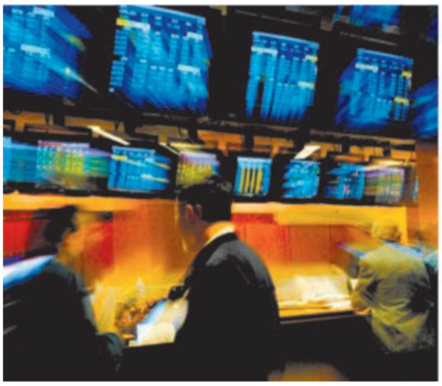
# St Peter Port Capital Limited



ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2010

# Contents

# Highlights

- 40 investee companies at year end.
- realised £23.1m as at 21 July 2010 in cash from investee companies, generating a gain on investment of 37%.
- in the second half, a further £6.9m invested in six companies, three of which are new to the portfolio.
- NAV of 97.75p per share at year end, up 1.7% since 30 September 2009.

**Bob Morton, Chairman of St Peter Port, said:**

"Many of the companies in our portfolio continue to make progress. Whilst the climate for crystallising value in smaller caps remains harsh, the portfolio of high risk/high reward companies includes many prospects for strong returns on our original investment."

**Tim Childs, Investment Advisor to the Board of St Peter Port Investment Management Limited, said:**

"We have struck some exceptional deals as we faced little competition in offering funding at critical points in our companies' development. We are now focused on seeking to harvest the results of our investments as companies in the portfolio reach liquidity events."

*Creso Resources – Visible gold mineralisation in drill core*

# Chairman's Statement

## Introduction

I am pleased to report upon the year ended 31 March 2010, our third year of operation.

## Market Conditions and Investment Strategy

2009/10 began with a significant recovery in both stock markets and commodity markets. It became clear during the year that the coordinated fiscal and monetary stimuli of the leading economies were giving rise to a two speed recovery, with Asia, Latin America and Russia growing strongly and the G7 performing anaemically in the most part.

Small cap values recovered somewhat, particularly for companies generating cash and for strong resource stories, but not so for technology companies yet to reach profitability. The IPO market and acquisitions of small companies both picked up, but from a very low base; they both remained at cyclically depressed levels of activity. Capital market activity was higher in the stock markets of countries which benefited more from the recovery, such as Canada, Australia, Hong Kong and Brazil.

The Company's strategy during the year was to take advantage of outstanding deal opportunities where they arose and to make follow-on investments where the investee company's prospects continued to look good and the terms were attractive. We continued to concentrate on resource related investments as this was where we could see the best prospects for an exit in the short term.

Since the year end market sentiment has worsened, with fears of a slow-down in the US, a crisis in the Club Med countries which has spread throughout the Euro zone and somewhat softer conditions in China. Nonetheless commodities and oil have to date remained reasonably strong, although capital market activity in smaller caps has become even more subdued. We are seeing some activity in our portfolio, which is discussed more fully in the Investment Manager's Report.

## Investments and Realisations during the Year

During the second half of 2009/10, the Company invested a further £6.9 million in six companies, three of the investments being follow-ons. Subsequent to the year end, we made one further follow-on investment of £0.7 million. The focus of these investments included investments where there was a credible expectation of a liquidity event in any form within a relatively short period, such as a trade sale or repayment of a loan.

*Drilling for oil – an important element in our portfolio*

Since launch, the Company has realised over £23.1 million through disposals, generating a gain on investment of 37 per cent. However, the rate of realisations was low during the year, reflecting the sluggish capital market in smaller companies discussed above. A number of our investee companies became public in 2009/10 and several more have followed since the year end. However, several of these were through reverse takeovers which have yet to generate the liquidity we would need to realise our investment profitably.

## Financial Results

The Statement of Comprehensive Income for the year shows a loss of £5.9 million (2009: profit of £877,000), equating to a loss per share of 8.1 pence. As we reported at the interim stage, this loss was incurred in the first half and was largely a result of significant revaluations to particular holdings. It was also, to a far lesser extent, the result of currency movements. Significant revaluations of holdings made in the second half are discussed in the Investment Manager's report.

## Balance Sheet

Net assets at the year end were £71.1 million (2009: £77.1 million), giving a net asset value of 97.75 pence per share (2009: 105.6 pence per share), a fall of 7.4 per cent for the year. Net asset value per share ("NAV") increased by 1.7 per cent in the second half.

Since the year end to date, the NAV has declined by about 5 per cent, largely as a result of falls in the value of 3 quoted oil-related holdings (one of which, Petro Kamchatka, had disappointing news – see Investment Manager's Report) and partly as a result of a rise in sterling.

At the year end the Company held £63.3 million in investments in companies, being equity investments and loan instruments (2009: £54.4 million). The remaining balance sheet was predominantly in cash, £8.0 million (2009: £22.6 million). At 21 July 2010, the Company held cash of approximately £6.5 million.

## Share Buybacks

As discussed in the Company's Interim Statement, in early October the Company bought back 300,000 of its own shares at 43 pence per share, a large discount to the prevailing net asset value per share. These shares are currently being held in treasury.

## Outlook

Although stock markets have moved sideways/down over the last quarter, many of the companies in our portfolio continue to make progress. Several are either preparing for significant IPOs or are in the final stages of concluding trade sales or farm-in arrangements. In other cases, although liquidity events are less imminent, they have progressed their plans and improved their intrinsic value. Whilst the climate for crystallising value in smaller caps remains harsh, the portfolio of high risk/high reward companies includes many prospects for strong returns on our original investment.

**Bob Morton**
Chairman
26 July 2010

*Brazil Potash – Drill hole in progress*

*Union Agriculture – Field preparation*

# Investment Manager's Report

Our portfolio remains weighted to three sectors. These are oil and gas (including enhanced recovery techniques); minerals including copper, gold, nickel, uranium, rarer elements and coal; and environmentally friendly technologies including cleaner/more efficient ways of burning conventional fuels, second generation bio fuels and hydrogen technologies. However, we have also made investments in the largest and highly dynamic farmland owner in Uruguay, in timber in Mozambique and in a US food company.

Most of the portfolio companies have their main activity outside of the UK and a significant proportion are sourced from brokers whose main business is outside the UK. Some have now listed in Canada or Australia and some have plans to list in Hong Kong or Brazil, possibly together with a listing on another market. Others are now more likely to seek acquisition by a larger company rather than an IPO. Of the total portfolio, £5.8 million is now in listed investments representing 8% of the portfolio (all figures as at 31 March 2010).

Over the period under review we have been taking advantage of attractive follow-on investment opportunities in the existing portfolio and since 30 September 2009 we have made four such investments.

The table below shows the breakdown of the investments by sector as at 31 March 2010:

### Investments by Sector as at 31 March 2010

| Sector | Number | Cost £m | Value £m | Percentage (of value) |
|---|---|---|---|---|
| Oil and Gas | 10 | 22 | 21 | 33% |
| Mining | 15 | 25 | 27 | 43% |
| Technology | 2 | 3 | 3 | 5% |
| Renewable Energy | 5 | 5 | 2 | 3% |
| Other | 8 | 10 | 10 | 16% |
| **Total** | 40 | 65 | 63 | 100% |

## Investments During The Year

During the 2010 financial year we made 12 "pre-IPO" investments, 6 of which were follow-ons, and invested £14.2 million. The follow-on investments were :

- Creso Resources, which acquired what we hope to be a significant gold interest in Northern Ontario. In several tranches we invested around C$700,000 and Creso has since gone public at a very significant uplift to the price at which we invested.
- PetroKamchatka, in which we invested a further US$1.875 million (£1.15 million) in a largely internal round in the summer. The company has three promising oil and gas licenses in Russia's Kamtchatkan Peninsular and required the cash to preserve its licences and provide it with short term funding. In mid November 2009 it raised further funds at a large premium to this internal round and became publicly traded in December 2009. Subsequently it has had disappointing drilling results but is funded for further drilling.
- Providence Resources, a listed Irish oil and gas company, with substantial offshore exploration interests in Ireland, further offshore interests in Nigeria and (largely producing) onshore and offshore assets in the UK and USA. Previously an investor in a convertible loan stock, we invested £1 million in a placing of ordinary shares.
- Gourmet Express, the American frozen foods company, in which we invested a further $600,000 in a loan note.
- Dominion Resources, which owns a substantial copper deposit in Panama and in which we had previously invested $1.5 million. We subscribed $2 million for a convertible loan, secured by shares in the subsidiary which owns the licence.
- RAM Resources, in which we invested a further $1 million in a convertible bond. RAM has acquired large iron ore deposits in Russia close to the Chinese border and with good access to infrastructure. It plans to list in the near future.

We made 6 new investments:

- Union Agriculture, a Uruguyan farming company in which we invested $2 million. Union is buying land opportunistically in Uruguay and applying capital and agronomy expertise to enhance its value. Following our investment, Union carried out its initial land acquisition programme on highly attractive terms. After our year end we participated in a further round of $115 million priced at a 14 per cent premium to the previous round, and invested a further $1 million. Union is now the largest farmland owner in Uruguay and is actively exploring further capital market activity.
- Puma Hotels, where we invested £1.95 million in a convertible prefence share. It holds a portfolio of freehold hotels (let on inflation indexed leases under a strong covenant).
- Brazil Potash, in which we invested US$2.5 million as part of a US$25 million fund raising. It has has contiguous licenses covering more than 22.5 million hectares in the Amazon potash basin. It has raised funds to finance further work establishing the size of its first large deposit of potash, an essential nutrient for

farming. Following this it plans to spin off and list this first deposit.

- As part of a fundraising of over $200 million we invested US$5 million in HRT Petroleum ("HRTP"), a Brazilian company. HRTP has a 51 per cent interest in 21 onshore blocks in the Solimões basin of northwest Brazil as well a well-established business as one of Latin America's leading petroleum geoscience services companies. The team at HRTP is primarily made up of former employees of Petrobras, the Brazilian national oil and gas company. HRTP plans to develop the assets it already owns and has since acquired additional interests. It is currently planning to list.
- Tuscany International Drilling, another Brazilian company, in which we invested $2.25 million. Tuscany is an oil drilling services company with a growing portfolio of drilling contracts in Brazil. It subsequently reversed into a listed Canadian shell.
- East African Timber, in which we invested £250,000 with the right to invest a further £500,000 on the same terms. It has acquired the rights to existing mature plantations in the most favoured part of Mozambique for fast growing timber and is also planting new trees.

## Realisations During the Year

In the period from the year end to date the Company has realised or partly realised pre-IPO investments, generating some £1.4 million in cash.

## Investments - Detail

The following is a list of the Company's Investments

| Company | Investment | Business |
|---|---|---|
| **AmLib** | US$2m subscription for ordinary shares | A Jersey based company established in May 2000 to explore for gold, diamonds and other natural resources in Liberia. AmLib holds one mineral development agreement and seven exploration licenses covering a total surface area of 3,400km$^2$. |
| **Brazil Potash** | $2.5m in ordinary shares | It has licences covering 22.5m hectares in the Amazon potash basin to develop potash mines. |
| **Buried Hill** | US$850,000 subscription for and US$2.7m acquisition of ordinary shares | An international oil and gas exploration company focused on Caspian Sea and West Africa which is in advanced discussions to conclude a farm-in agreement with an oil major to develop the Caspian assets. |
| **CDR Minerals** | US$1m subscription for ordinary shares | An American coal producing company approaching profitable production. |
| **Celadon Mining Ltd** | £3.7m subscription in two tranches | Chinese Government backed company which has acquired major coking coal mines in NE China. |
| **China Molybdenum** | £3m subscription for ordinary shares<br>£750,000 loan | Set up to acquire several mining assets representing abundant molybdenum and nickel mining production opportunities near Zhangjiajie City, Hunan Province. |
| **Continental Petroleum** | £2.5m subscription for convertible loan stock, now converted | Oil exploration and development company which has interest in two Western Siberian licences covering an area of approximately 1,650 km$^2$. |
| **Creso Resources** | Cdn$2.2m subscription for common stock. Further Cdn $700,000 subscription for common stock and warrants | A gold and base metals exploration company with prospects in Canada, Mexico and Guatemala. Creso has recently listed on the TSX. |
| **Develica** | US$3.7m subscription for ordinary shares | A Guernsey company established to take advantage of opportunities in the prime commercial real estate market in Singapore in particular, and in the Asia Pacific region in general. It has since become over-leveraged. |

# Investment Manager's Report continued

## Investments - Detail continued

| Company | Investment | Business |
|---|---|---|
| **Dominion Minerals** | US$1.5m subscription for common shares and warrants. Further US $2m in a secured bond | A US-based copper and gold exploration and development company focused on its Cerro Chorcha Copper Project in Panama and its gold and copper/gold ventures in China. |
| **East African Timber** | £250,000 for ordinary shares | A Mozambique-based timber company. |
| **Eden Energy** | US$4.56m subscription for ordinary shares | An Australian diversified clean energy company with interests in hydrogen production, storage and transport fuel systems, together with coal-bed methane licences in South Wales. Eden is listed in Australia. |
| **Enhanced Oil** | Cdn$4m subscription and further subscription of Cdn$1.6m for common stock and warrants | A Houston-based enhanced oil recovery resources company which controls the largest undeveloped natural helium/CO2 resource in North America. Enhanced Oil has acquired depleted oilfields where significant enhanced oil recovery resources remain and where CO2 flooding is effective. |
| **Gourmet Express** | US$3m subscription for ordinary shares. Further loan with warrants of US$600,000 | A leading consumer products company specialising in the production, distribution and marketing of a wide variety of frozen food products, in particular the frozen skillet meal category. |
| **HaloSource** | Acquired in exchange for another investment | US-based company with a leading technology for purification of water at point of use. |
| **Homeland Uranium** | Cdn$2.2m subscription for common stock and warrants | Exploration company with uranium and vanadium exploration in the USA, Africa and Peru The main emphasis has been on exploration for uranium in Niger. |
| **HRT Petroleum** | US$5m subscription for ordinary shares | It has a 51 per cent interest in 21 onshore oil exploration blocks in North Western Brazil. |
| **Ilika** | £2.5m subscription for ordinary shares | A company spun out of the University of Southampton which specialises in the development and application of high throughput, combinatorial R&D techniques for the discovery of new materials. Ilika was admitted to AIM in May 2010 and our holding increased by a ratchet. |
| **iQur** | £0.5m subscription for ordinary shares | A medical research company that is developing a novel vaccine platform, initially focusing on the Hepatitis virus. |
| **Jordan Energy** | US$1.05m subscription for ordinary shares | A company with rights to extract large shale oil deposits in Jordan. |
| **Latin Gold** | £1m subscription for ordinary shares | The company has acquired mineral rights in Brazil to a previously mined area where low-tech artisanal miners have produced an estimated 4.5m oz from soils over the last 11 years. The licensed area has significant exploration potential in the hard rock below the artisanal workings. |
| **Midas Capital** | £450,000 subscription for ordinary shares | An AIM quoted company encompassing fund management, wealth management and corporate services. |

## **Investments - Detail** continued

| Company | Investment | Business |
|---|---|---|
| **MinCore** | Cdn$2.025m subscription for ordinary shares | Has large base metal deposits in Mexico – including the Venado molybdenum deposit, which has a known resource and is the subject of a pre-feasibility study. |
| **Nusantara Energy** | £2.25m subscription for shares and warrants | Nusantara is developing a large deposit (at least 490 million tonnes) of thermal coal in Sumatra, Indonesia and seeking to acquire further coal interests in Sumatra. Following an extensive drilling programme, Nusantara has identified the potential resource as high quality coal in thick seams very close to the surface. This deposit is ideally located to supply the market for coal-fired power generation in South East Asia, where demand is strong. It is currently exploring a trade sale. |
| **Petro Kamchatka Resources (formerly CEP Resources)** | US$2m and further US$1.875m subscription of equity after the year-end | A Canadian based oil and gas exploration company which owns 42.5 per cent of two exploration licences in the western part of the Kamchatka Peninsular in Eastern Russia, where its partner is the Korean National Oil Corporation. PKP is listed on the TSX. |
| **Providence Resources** | €3.2m subscription for convertible loan notes. Further £1m in ordinary shares | An Irish oil and gas company with substantial offshore exploration interests in Ireland, further offshore interests in Nigeria and (largely producing) onshore and offshore assets in the UK and USA. Listed on AIM; the convertibles are currently listed in the Cayman Islands. |
| **Puma Hotels plc** | £1.95m subscription for convertible preference shares | Puma Hotels holds a portfolio of 20 leading British conference and leisure hotel let on long inflation-indexed leases to a blue chip tenant, Barceló Hotels. |
| **Quetzal** | Cdn$2.1m subscription for common shares and warrants | A Canadian company with interests in petroleum producing assets in Guatemala. It is listed on the TSX. |
| **RAM Resources** | US$2m subscription for ordinary shares Further $1m loan stock | A Jersey-based mineral and asset development company which controls a 100 per cent owned iron ore mining property in the Kurgan region of Russia. |
| **Red Flat Nickel** | US$4.2 million investment in loan notes in a complex deal | The company controls two nickel laterite deposits in Oregon. The St Peter Port loan has partly funded some exploration of deposits on the two fully owned tenements. Following the loan reaching its term, St Peter Port has acquired a majority equity interest as well as improving the security of the loan. |
| **Rock Well Petroleum** | US$7.5m subscription for common shares | A North American oil production company which was attempting to use gravity drainage and enhanced oil techniques to extract oil at low cost from reservoirs which have become sub-economic for conventional extraction. It is in Chapter 15 under Canadian insolvency law. |
| **Royal Nickel** | Cdn$4m subscription for ordinary shares | A Canadian nickel developer with a world-class nickel deposit in northern Quebec. |
| **Sharon Energy** | Cdn$2.1m subscription for common stock and warrants | An oil exploration company with assets in North America. |
| **Specialist Energy Group (Formerly Nviro)** | £500,000 subscription for ordinary shares | Specialist Energy Group reversed into Nviro, an AIM listed clean tech company. SEG specialises in engineering, particularly boiler pumps, for the power sector. |

# Investment Manager's Report continued

## **Investments - Detail** continued

| Company | Investment | Business |
|---|---|---|
| **STV** | US$2m subscription for common shares | A developer of electronic entertainment solutions in Philadelphia. |
| **Sumatra Copper & Gold** | £1m subscription for ordinary shares | The company controls nearly 18,000km² of land in Sumatra, Indonesia with advanced resources of gold, silver and copper. Sumatra is now ASX listed and St Peter Port has sold its entire holding. |
| **TMO Renewables** | £2.5m subscription for ordinary shares | A world leader in novel ethanol fermentation technology which produces bio-ethanol from low-grade sugar by means of a new fermentation technique with significantly higher yields and lower investment cost. |
| **Tuscany International Drilling** | US$2.25m subscription for ordinary shares | A (now) listed Brazilian oil drilling services company. |
| **Union Agriculture** | US$2m subscription for ordinary shares after the year-end Further $1m in ordinary shares | Uruguayan farming company which is now the largest owner of agricultural land in Uruguay and applying capital and agronomy expertise to enhance its value. Union is exploring a listing in the next year. |
| **Waipuna** | Acquired in exchange for another investment | A New Zealand-based company which has developed a non-pesticide weed controller, certified for use in organic agriculture. |

*Royal Nickel – drilling to delineate the size of the deposit*

*Ram Resources – Iron ore in drill core*

**Commentary on Other Significant Developments**

There are many companies in the portfolio which look very promising and which should show significant uplifts. Others have been problematic. We highlight here some of the larger investments where there has been specific relevant news.

Drilling by Nusantara has significantly enhanced estimates of the size and value of its large and low cost coal resource, which is strategically located to enable it to meet the strong demand for power station coal in SE Asia. It is currently actively exploring an exit by trade sale which has received strong interest.

Buried Hill has substantial oil reserves in the Caspian Sea. It is in the final stages of concluding an attractive farm-in deal with a major oil company, following a previous deal with a Middle Eastern company falling through.

Red Flat Nickel has a large nickel resource whose value is expected to have rebounded with the price of nickel. The loan we made reached its term and the company was unable to repay it; we were therefore able to renegotiate its terms. We now have a majority economic interest in the asset as well as the loan with improved security.

We had previously largely provided against Develica Asia Pacific, in which we invested US$3.75 million in August 2007. We have now written it down completely. We have also reduced the value of a number of holdings where further rounds were at lower prices.

We previously wrote down our holding in coking coal miner Celadon Mining by two thirds, because of safety problems in mines in Shanxi province. It has since sold the Shanxi mines and acquired new attractive assets. We have left the value at the written down value for the time being.

## Pipeline and Prospects

We have struck some exceptional deals as we faced little competition in offering funding at critical points in our companies' development. We are now focused on seeking to harvest the results of our investments as companies in the portfolio reach liquidity events.

Tim Childs as Investment Advisor to
St Peter Port Investment Management Limited

26 July 2010

# Directors' Biographies

### Arthur Leonard Robert Morton (aged 68), Chairman

Bob is a Chartered Accountant, who has been a substantial investor on his own behalf in a number of AIM companies. He is currently Chairman of four quoted companies: Armour Group PLC, Servoca PLC, WFCA PLC (formerly Ekay PLC) and Tenon Group PLC. He is also a director of a large number of private companies.

### Timothy Erling Childs (aged 49), Director

Tim is an experienced investor and entrepreneur across a range of sectors. He was a founder, Chairman and Chief Executive of Gatehouse Leasing Limited, a Dublin-based lease finance company, which was subsequently sold to an investment group, and in turn acquired by the Bank of Scotland. He also served as Managing Director of Private Equity Investor plc, an investment trust fund of technology funds from February 2000 to November 2004. He has been involved in pre-IPO investing since 1994.

### Graham Barry Shore (aged 54), Director

Graham is a former partner of Touche Ross (now Deloitte LLP) and was responsible for the London practice advising the telecommunications and new media industries. At Touche Ross he undertook strategic and economic assignments for a wide range of clients including appraisals of venture capital opportunities. In 1990, Graham joined Shore Capital as Managing Director, and has been involved in managing Shore Capital-promoted development capital funds Puma I, the JellyWorks portfolio, Puma II and the six Puma Venture Capital Trusts. This has involved the evaluation of new deals and representing the funds with investee companies. Graham has been involved with AIM since its inception as both a corporate financier and investor and with private equity for more than 20 years.

### Simon Charles Bourge (aged 49), Director

Simon is a qualified barrister with an MA from Cambridge and practised as a lawyer in Bristol for 15 years. He moved to Guernsey in 1998, where he is Managing Director of the Bourse Group and is involved in all aspects of business development and service delivery with a particular emphasis on tax structuring for foreign and expatriate private clients, collectives, companies and pensions. Simon is also a director of Montier Asset Management Limited, a Dublin-listed absolute return fund of funds, and its related CISX-listed fund and feeder fund. Simon is also a director of several other funds and companies and served as a former past President of the Guernsey International Legal Association.

### Peter Francis Griffin (aged 51), Director

An economics graduate from Leeds University, Peter qualified as a Chartered Accountant with Coopers & Lybrand in Manchester in 1982. Since 1984 he has worked in the offshore financial services sector in a number of jurisdictions and is presently a director of the trust company division of Intertrust Fund Services (Guernsey) Limited . Peter's employment history includes periods as a Partner with accountants Reads & Co/Robson Rhodes in the Isle of Man, as a director of CMI Trust (a Halifax Bank of Scotland group company) in the Isle of Man, and as Managing Director of Fairbairn Trust Company (an Old Mutual group company) in Guernsey.

# Report of the Directors

## Directors' responsibilities

The Directors have pleasure in submitting their Annual Report and the Audited Financial Statements for the year ended 31 March 2010.

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with The Guernsey Company Law, 2008 and International Financial Reporting Standards (IFRS), of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements the Directors are required to:

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

The Directors confirm that they have complied with the above requirements in preparing 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 Company and to enable them to ensure that the financial statements have been properly prepared in accordance with The Guernsey Company Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the company's auditor are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor are aware of that information.

## Status and activities

The Company is a closed ended investment company registered under the provisions of The Guernsey Company Law 2008 and regulated by the Guernsey Financial Services Commission.

The Company was incorporated on 6 March 2007 and its securities began trading on the Alternative Investment Market of the London Stock Exchange on 16 April 2007 with a placing of 75,000,000 ordinary shares of nil par value each.

The Investment Manager, St Peter Port Investment Management Limited, will aim to build a diversified portfolio of growing small to mid-sized companies which are seeking to achieve an IPO within a reasonable short time horizon. It is intended that investments will be opportunistic and not sector or regionally focused and that they will typically be passive in nature.

## Results and dividends

The results attributable to the Shareholders for the year and the transfer to reserves are shown in the Statement of Comprehensive Income. The Company did not pay a dividend as the Board of Directors have not recommended a dividend for the year. (2009: nil).

During the year the Company repurchased 300,000 £1 shares at a cost of £129,270 (2009: 1,950,000 at a cost of £586,182). As at 31 March 2010 2,250,000 shares were held in treasury. The share buy back represented 0.4% of the total ordinary shares issued and fully paid.

## Directors and their interests

The Directors of the Company who served during the period were:

Arthur Leonard Robert Morton (Chairman)
Simon Charles Bourge (Director)
Timothy Erling Childs (Director)
Peter Francis Griffin (Director)
Graham Barry Shore (Director)

At 31 March 2010 the Directors' interests in the Ordinary Shares of the Company were as follows:

| | | 2010 Ordinary shares | 2009 Ordinary shares |
|---|---|---|---|
| Southwind Limited | 1. | **2,500,000** | 2,500,000 |
| Hawk Investment Holdings Limited | 1. | **300,000** | nil |
| Simon Charles Bourge (Director) | | **nil** | nil |
| Broughton Limited | 2. | **2,500,000** | 2,500,000 |
| Peter Francis Griffin (Director) | | **nil** | nil |
| Graham Barry Shore (Director) | | **nil** | nil |
| Timothy Erling Childs (Director) | | **nil** | nil |
| Pebble Investments Limited | 3. | **5,600,000** | 5,000,000 |
| Arthur Leonard Robert Morton (Chairman) | | **nil** | nil |

1. Southwind Limited and Hawk Investment Holdings Limited, both companies which are held entirely by related parties of Arthur Morton.
2. Broughton Limited, a company in which Timothy Childs has an interest as a beneficiary and settlor of the trust that owns the company.
3. A subsidiary of Shore Capital Group Limited, a company in which Graham Shore is a shareholder and also a director.

# Report of the Directors continued

There have been no changes in the interests of the Directors from 31 March 2010 to the date of signing these financial statements.

## Directors' remuneration

The emoluments of the individual Directors for the year were as follows:

| | 2010 £ | 2009 £ |
|---|---|---|
| Arthur Leonard Robert Morton (Chairman) | **nil** | nil |
| Simon Charles Bourge (Director) | **15,000** | 15,000 |
| Timothy Erling Childs (Director) | **nil** | nil |
| Peter Francis Griffin (Director) | **15,000** | 15,000 |
| Graham Barry Shore (Director) | **nil** | nil |

The above fees do not include reimbursed expenditure.

Hawk Consulting, a company in which Mr Morton is interested, will be paid a fee of £60,000 per annum (inclusive of all expenses) with respect to services provided from time to time by either that company or Mr Morton on its behalf.

Mr Childs and Mr Shore have waived their entitlement to a Director's fee but will be able to recover reasonable expenses.

## Substantial shareholdings

At 8 July 2010 the following interests in 3% or more of the issued Ordinary Shares had been notified to the Company.

| | | Number of Ordinary shares | Percentage of share capital |
|---|---|---|---|
| Pershing Nominees Limited | 1. | **14,150,986** | 18.87% |
| Chase Nominees Limited | | **7,540,600** | 10.05% |
| Bank of New York Nominees Limited | | **7,065,000** | 9.42% |
| Pebble Investments Limited | 2. | **5,600,000** | 7.47% |
| Nortrust Nominees Limited | | **4,527,224** | 6.04% |
| Nortrust Nominees Limited (GSYA) | | **4,165,000** | 5.55% |
| HSBC Global Custody Nominee | | **4,765,000** | 6.35% |
| Bank of New York Nominees Limited (MBGF) | | **2,716,000** | 3.62% |
| Broughton Limited | 3. | **2,500,000** | 3.33% |
| Southwind Limited | 4. | **2,500,000** | 3.33% |

1. Includes 13,423,239 Ordinary Shares held by clients of Shore Capital Limited and Shore Capital Stockbrokers Limited.
2. A subsidiary of Shore Capital Group Limited, a company in which Graham Shore is a shareholder and also a director.
3. Broughton Limited, a company in which Timothy Childs has an interest as a beneficiary and settlor of the trust that owns the company.
4. Southwind Limited, a company which is held entirely by related parties of Arthur Morton.

## Independent Auditors

PricewaterhouseCoopers CI LLP have indicated their willingness to continue in their capacity as auditors.

**APPROVED BY THE BOARD OF DIRECTORS**

| | |
|---|---|
| Peter Griffin<br>Director | Simon Bourge<br>Director |

26 July 2010

# Independent Auditors' Report to the Member of St Peter Port Capital Limited

## Report on the Financial Statements

We have audited the accompanying financial statements of St Peter Port Capital Limited which comprise the statement of financial position as of 31 March 2010 and the statement of comprehensive income , the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

## Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control . An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

## Emphasis of Matter

Without qualifying our opinion, we draw your attention to the fact that investments are included in the financial statements at fair value as determined by the directors as detailed in note 2 to the financial statements. As the nature and basis of investment in each investee company is different, and the flow of information from investee companies varies, valuation protocols applied by the directors have varied in determining the fair value of each investment. There are inherent difficulties in determining the fair values of these investments.

Amounts realised on the sale of these investment may be higher or lower than the values reflected in these financial statements and the differences may be significant.

## Report on other Legal and Regulatory Requirements

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 is as detailed in the contents page.

In our opinion the information given in the directors' report is consistent with the financial statements.

The maintance and integrity of the St Peter Port Capital Limited's website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web,

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
26 July 2010

# Statement of Financial Position

## As at 31 March 2010

| Assets | Notes | As at 31 March 2010 £'000 | As at 31 March 2009 £'000 |
|---|---|---|---|
| Financial assets designated at fair value through profit or loss | 12 | 63,278 | 53,917 |
| Loans receivable | 13 | – | 502 |
| Trade and other receivables | 14 | 4 | 299 |
| Cash and cash equivalents | 15 | 8,012 | 22,575 |
| **Total assests** | | 71,294 | 77,293 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 180 | 165 |
| **Total liabilities** | | 180 | 165 |
| **Net assets** | | 71,114 | 77,128 |
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the company** | | | |
| Share capital | 17 | – | – |
| Share premium | 18 | – | – |
| Special reserve | 18 | 70,898 | 71,198 |
| Treasury reserve | 17 | 1,535 | 1,364 |
| Retained earnings | | (1,319) | 4,566 |
| **Total Equity** | | 71,114 | 77,128 |
| Net asset value per share (pence per share) | 20 | 97.75 | 105.58 |

**Approved by the Board of Directors on 26 July 2010**

Peter Griffin
Director

Simon Bourge
Director

The accompanying notes 1 to 23 form an integral part of these financial statements.

# Statement of Comprehensive Income

## For the year ended 31 March 2010

| Income | Notes | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|---|
| Net changes in fair value on financial assets | 12(c) | (3,948) | 1,858 |
| Unrealised (loss)/gain on foreign exchange | | (21) | 78 |
| Interest income | 4 | 220 | 1,159 |
| **Net investment income** | | (3,749) | 3,095 |
| Administrative expenses | | (2,135) | (2,215) |
| **Net income from operations before finance costs** | | (5,884) | 880 |
| Interest expense | | (1) | (3) |
| **Total finance costs** | | (1) | (3) |
| **(Loss)/profit for the year** | | (5,885) | 877 |
| Basic and diluted return per Ordinary Share (pence) | 11 | (8.07)p | 1.17p |

The accompanying notes 1 to 23 form an integral part of these financial statements.

# Statement of Changes in Equity

## For the year ended 31 March 2010

| | Notes | Share Premium £'000 | Special Reserve £'000 | Treasury Reserve £'000 | Revenue Reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Opening balance | | – | 71,198 | 1,364 | 4,566 | 77,128 |
| Loss for the year | | – | – | – | (5,885) | (5,885) |
| Repurchased shares held in treasury | 17 | – | – | 171 | – | 171 |
| Ordinary shares repurchased | 18 | – | (300) | – | – | (300) |
| **Balance at 31 March 2010** | | – | 70,898 | 1,535 | (1,319) | 71,114 |

**For the year ended 31 March 2009**

| | Notes | Share Premium £'000 | Special Reserve £'000 | Treasury Reserve £'000 | Revenue Reserve £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Opening balance | | – | 73,148 | – | 3,689 | 76,837 |
| Loss for the year | | – | – | – | 877 | 877 |
| Repurchased shares held in treasury | 17 | – | – | 1,364 | – | 1,364 |
| Ordinary shares repurchased | 18 | – | (1,950) | – | – | (1,950) |
| **Balance at 31 March 2009** | | – | 71,198 | 1,364 | 4,566 | 77,128 |

The accompanying notes 1 to 23 form an integral part of these financial statements.

# Statement of Cash Flows

## For the year ended 31 March 2010

| Cash flows from operating activities | Notes | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|---|
| Interest received | | 456 | 918 |
| Interest paid | | (1) | (3) |
| Operating expenses paid | | (2,082) | (2,248) |
| Loans granted to portfolio companies | | (1,575) | (3,850) |
| Loan payments received from portfolio companies | | 502 | – |
| Sale of investments | | 877 | 34,980 |
| Purchase of investments | 12 | (12,611) | (14,231) |
| **Net cash used in operating activities** | | (14,434) | 15,566 |
| **Cash flows from financing activities** | | | |
| Purchase of treasury shares | 17 | (129) | (586) |
| Redemption of convertible loan stock | 12 | – | (211) |
| Management of liquid resources | | – | 307 |
| **Cash outflow from financing activities** | | (129) | (490) |
| Cash (outflow)/inflow for the year | | (14,563) | 15,076 |
| Opening cash and cash equivalents | | 22,575 | 7,499 |
| Closing cash and cash equivalents | 15 | 8,012 | 22,575 |

The accompanying notes 1 to 23 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2010

## 1. General information – investing strategy

St Peter Port Capital Limited is a Guernsey registered, closed ended investment company regulated by the Guernsey Financial Services Commission and governed by The Companies (Guernsey) Law, 2008. St Peter Port Capital Limited's investment strategy is primarily to invest in unquoted companies which are close to a liquidity event. The funds invested by St Peter Port Capital Limited will often provide the working capital to make such an event possible. The event could be an IPO, trade sale or repayment of a bridging loan (typically with warrants or other form of participation) from a fund-raising achieved by the investee at a higher price after the bridging event has occurred.

The universe for investment is principally companies across a broad range of sectors and geography expecting to achieve a liquidity event in the months after the Companyís investment. However, in current conditions, it may also include companies which are already publicly quoted but where the equity value has been heavily eroded by the current market malaise. The initial focus has been on companies targeting UK, US and Commonwealth stock markets although companies looking to float on other exchanges will also be considered.

The address of the registered office is shown on the inside of the back cover. The Company's website is www.stpeterportcapital.gg.

The Company is listed on the London Stock Exchangeís Alternative Investment Market (AIM).

These financial statements were authorised by the Board for publication on 26 July 2010.

## 2. Summary of Significant Accounting Policies

This financial information for the year ended 31 March 2010 has been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS include standards and interpretations approved by the International Accounting Standards Board, including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee who replaced the Standards Interpretation Committee.

### Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of investments. Financial assets and financial liabilities (including derivative financial instruments) are held at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 (d).

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and underlying assumptions are reviewed on an ongoing basis.

(i) Standards and amendments to existing standards effective 1 January 2009

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (i.e. "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the Income Statement and Statement of Comprehensive Income). Where entities restate or reclassify comparative information they will be required to present a restated statements of financial position as at the beginning of the comparative period in addition to the current requirement to present statements of financial position as at the end of the current period and comparative period. The Company has applied IAS1 (revised) and has elected to present solely a statement of comprehensive income.

IFRS 7 (amendment) 'Financial Instruments: Disclosures'. The amendment introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by significance of inputs used. These disclosures are expected to provide more information about the relative reliability of fair value measurements.

The adoption of the amendment does not have an impact on the Company's financial position or performance.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Company.

IAS 23 (revised), ‘Borrowing costs’.
IAS 32 ‘Financial Instruments: Presentation’.
IAS 39 and IFRIC 9 (amendment), ‘Embedded derivatives’ (effective from 1 July 2009);
IFRS 1 (amendment) ‘First time adoption of IFRS’.
IFRS 2 (amendment) ‘Share-based payment’.
IFRS 8 ‘Operating segments’
IFRIC 13, ‘Customer loyalty programmes’.
IFRIC 15, ‘Agreements for construction of real estate’.
IFRIC 16, ‘Hedges of a net investment in a foreign operation’.

(ii) Standards, amendments and interpretations that are not yet effective and not relevant for the Company’s operation.

IAS 27 (revised), ‘Consolidated and separate financial statements’ (effective from 1 July 2009);
IAS 39 (amendment), ‘Financial instruments: Recognition and measurement’ (effective from 1 July 2009);
IFRS 1 (amendment), ‘Additional exemptions for first-time adopters’ (effective from 1 January 2010);
IFRS 2 (amendments), ‘Group cash-settled share based payment transactions’ (effective from 1 January 2010);
IFRS 3 (revised), ‘Business combinations’ (effective from 1 July 2009);
IFRIC 17, ‘Distribution of non-cash assets to owners’ (effective from 1 July 2009);
IFRIC 18, ‘Transfers of assets from customers’ (effective from 1 July 2009).

The Directors do not anticipate that the adoption of these standards will have a material impact on the financial statements of the Company when the relevant standards and interpretations come into effect. The Directors have adopted a policy of applying new statements and interpretations when they become effective.

### Income

Investment income is recognised on a time apportioned basis using the prevailing interest rate . It includes interest income from cash and cash equivalents and on debt securities. Other debt instruments interest income receivable is recognised in gains and losses.

### (b) Running costs and expenses

The Company will bear all fees and out of pocket expenses properly incurred by the Investment Manager, the Administrator and the Registrar. Expenses borne by the Investment Manager on behalf of the Company are recharged to the Company on a quarterly basis. In addition, it will meet all of its own costs and expenses, including aborted transaction fees, the remuneration of those Directors for whom fees are payable and their expenses and the costs of all employees, advisers and consultants acting in the performance of the Company’s business, commissions, banking fees, legal expenses, insurance costs, regulatory fees, acquisition and disposal fees, auditors’ fees, listing costs and the costs of distribution of reports and accounts and other documentation to shareholders.

### (c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment into growth companies which are seeking to achieve an initial public offering (“IPO”) within a reasonably short time horizon. The Company’s primary reporting format is industry sector and secondary format is geographical domicile.

# Notes to the Financial Statements continued

For the year ended 31 March 2010

## (c) Segmental reporting- continued

The Company mainly operates in the following sectors (excluding hedge fund holdings)

| | 31 March 2010 £'000 | % | 31 March 2009 £'000 | % |
|---|---|---|---|---|
| Financial Services | **42** | 0.07 | 54 | 0.10 |
| Food & Beverages | **5,459** | 8.63 | 3,357 | 6.24 |
| Media | **1,317** | 2.08 | 1,399 | 2.6 |
| Mining | **27,049** | 42.75 | 22,476 | 41.79 |
| Drilling | **1,482** | 2.34 | – | – |
| Oil & Gas | **21,150** | 33.42 | 15,196 | 28.25 |
| Real Estate | **1,950** | 3.08 | 288 | 0.53 |
| Renewable energy | **1,829** | 2.89 | 8,522 | 14.91 |
| Technoogy | **3,000** | 4.74 | 3,000 | 5.58 |
| | **63,278** | | 54,292 | |

And in companies with the following countries of domicile (excluding hedge fund holdings)

| | 31 March 2010 £'000 | % | 31 March 2009 £'000 | % |
|---|---|---|---|---|
| Australia | **454** | 0.72 | 361 | 0.66 |
| Brazil | **4,942** | 7.81 | – | – |
| Canada | **21,070** | 33.30 | 7,540 | 14.02 |
| Cyprus | **–** | 0.00 | 7,770 | 14.45 |
| United Kingdom | **24,784** | 39.17 | 25,827 | 47.08 |
| United States of America | **10,429** | 16.48 | 12,794 | 23.79 |
| Uruguay | **1,599** | 2.52 | – | – |
| | **63,278** | | 54,292 | |

The domicile of the parent company does not necessarily relate to the country in which the company carries out its business.

## (d) Valuation of investments

The Investment Manager makes estimates and assumptions concerning the performance of underlying investments. The estimates and assumptions involved in fair valuing the investments are considered in line with the valuation policies outlined below.

The Investment Manager's assessment of fair value is determined in accordance with the International Private Equity and Venture Capital ("IPEVC") Valuation Guidelines. It is the opinion of the Investment Manager, that the IPEVC valuation methodology used in deriving a fair value is not materially different from the fair value requirements of IAS 39. Investments are measured at fair value. A summary of the more relevant IPEVC Valuations is set out below.

Marketable (Listed) Securities - Where an active market exists for the security, the value is stated at the bid price on the last trading day in the period.

Unlisted Investments - are carried at such fair value as the Investment Manager considers appropriate given the performance of each Investee Company and after taking account of the effect of dilution, the exercise of ratchets, options or other incentive schemes.

Where the investment being valued was made recently, its cost will generally provide a good indication of fair value.

Methodologies used in arriving at the fair value include prices of recent investment, earnings multiples, net assets and industry valuation benchmarks.

Notwithstanding the above, the variety of valuation basis adopted and quality of management information provided by the underlying Investee Company means there are inherent difficulties in determining the value of these investments. Amounts realised on the sale of these investments will differ from the values reflected in these financial statements and the difference may be significant.

### (e) Fair value of derivative contracts

Fair values of derivative contracts are estimated by reference to current market conditions compared to the terms of the contract.

### (f) Taxation

The Company has been taxed at 0%.

### (g) Foreign currency translation

(i) Functional and reporting currency

The functional currency of the Company is Pounds Sterling in which the majority of cash and cash equivalents are held and converted only where necessary to settle expenses relating to investments.

The reporting currency of the Company for accounting purposes is also Pounds Sterling.

(ii) Transactions and balances

Foreign currency monetary assets and liabilities balances are translated into Pounds Sterling at the rate of exchange ruling on the last day of the Company's financial period. Foreign currency transactions are translated at the rate of exchange ruling on the date of transaction. Gains and losses arising on currency translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses on investments are accounted for on the Statement of Comprehensive Income in the period in which they arise.

### (h) Financial liability and equity

Financial liability and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### (i) Financial assets

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category are presented in the Statement of Comprehensive Income in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement when the Company's right to receive payment is established.

### (j) Trade and other payables

Trade payables are not interest bearing and are stated at their cost.

### (k) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses.

### (l) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits which may be accessed without penalty.

### (m) Loans

Loans are held at fair value through the profit and loss.

### (n) Going concern

The Company's directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

# Notes to the Financial Statements continued

For the year ended 31 March 2010

## 3. Critical Accounting Estimates and Judgement

The Company makes estimates and assumptions relating to the reported amounts of assets and liabilities within the next financial year. Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 4. Interest Income

| | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|
| Bank interest | **124** | 330 |
| Loan interest | **96** | 180 |
| Investment income | **–** | 649 |
| | **220** | 1,159 |

## 5. Administration Fees

Under the Administration Agreement the Administrator is entitled to receive an annual administration fee at a rate as may be agreed from time to time between the Company and the Administrator. The present administration fee is up to a maximum of £75,000 per annum for the performance of the administration services. There is an additional fee for the provision of any directors to the Board of the Company and for the production of annual and interim financial accounts. The Administrator will also be entitled to reimbursement for its reasonable expenses in providing the administration services. Total administration fees for the year ended 31 March 2010 amounted to £53,500 (2009: £ £73,000) with £19,250 (2009: £21,250) outstanding at the year end which includes £8,000 (2009: £10,000) outstanding for accountancy fees.

## 6. Management Fees

Under the Investment Management Agreement, the Investment Manager is entitled to receive a management fee of 2 per cent per annum (or 1 per cent until 50 percent of the net placing proceeds are invested in portfolio companies) of Net Asset Value which shall accrue on the first day of each quarterly period ending on 31 March, 30 June, 30 September and 31 December in each year and all reasonably and properly incurred expenses of the Investment Manager with respect to Company business. The Company's investment into pre-IPO companies passed the hurdle at which management fees became payable at 2 per cent per annum on 18th October 2007. Total management fees for the year to 31 March 2010 amounted to £1,780,922 (2009: £1,552,703) with £224 (2009: £37,000) prepaid at the year end.

## 7. Directors' and Consultancy Fees

Under their letters of appointment, Mr Bourge and Mr Griffin are paid a remuneration of £15,000 per annum. Hawk Consulting, a company in which Mr Morton is interested, is paid a fee of £60,000 per annum (inclusive of all expenses) with respect to services provided from time to time by either that company or Mr Morton on its behalf. Mr Childs and Mr Shore have waived their entitlement to a Directors fee but are able to recover reasonable expenses. Total directors' fees for the year to 31 March 2010 amounted to £30,000 (2009: £30,000) with £7,500 (2009: £7,500) outstanding at the year end. Total consultancy fees for the year amounted to £60,000 (2009: £60,000).

## 8. Broker Fees

Under the Broker Agreement between the Company, Shore Capital Stockbrokers Limited and Shore Capital and Corporate Limited, the Company pays an annual retainer of £30,000 plus VAT together with the reasonable expenses plus VAT of Shore Capital Stockbrokers Limited and Shore Capital and Corporate Limited in connection with the broker agreement. Total broker fees for the year to 31 March 2010 amounted to £30,083 (2009: £30,000) with nil (2009: nil) outstanding at the year end.

## 9. Nomad Fees

Under the Nominated Advisor Agreement between the Company and Deloitte Corporate Finance the Company pays an annual retainer of £30,000 with any VAT if applicable. The Company is also responsible for all out-of-pocket expenses incurred by Deloitte Corporate Finance in connection with its appointment as nominated advisor of the Company. Any expenditure in excess of £5,000 must authorised by the Board of Directors. Total Nomad fees for the year to 31 March 2010 amounted to £30,063 (2009:£30,755) with £1,235 (2009: £1,281 ) prepaid at the year end.

## 10. Audit Fees

Audit fees for the year to 31 March 2010 amounted to £71,076 (2009:£45,230) with £62,500 (2009:£40,000) outstanding at the year end.

## 11. Earnings per Share

The calculation of basic (loss)/earnings per share is based on the net (loss)/profit from continuing operations for the year of (£5,885,000) (2009: £877,000) and on 72,900,000 (2009: 74,946,000) shares being the weighted average number of shares in issue during the year. There is no difference between basic earnings per share and diluted earnings per share.

## 12. Financial Assets Held at Fair Value through Profit and Loss

### (a) Designated at fair value through profit or loss

| | Historic cost at 31 March 2010 £'000 | Market Value at 31 March 2010 £'000 | Historic cost at 31 March 2009 £'000 | Market Value at 31 March 2009 £'000 |
|---|---|---|---|---|
| Listed equity securities | **10,606** | **5,823** | 6,825 | 1,599 |
| Unlisted equity securities | **46,421** | **49,217** | 39,610 | 43,635 |
| Unlisted debt securities | **7,043** | **8,238** | 4,803 | 8,556 |
| Hedge funds | **–** | **–** | 182 | 127 |
| Total financial assets at fair value through profit or loss | **64,070** | **63,278** | 51,420 | 53,917 |

### (b) Movements in assets at fair value through profit or loss

| | Unlisted Equity Securities £'000 | Listed Equity Securities £'000 | Unlisted Debt £'000 | Hedge Funds £'000 | Total £'000 |
|---|---|---|---|---|---|
| Valuation at 31 March 2009 | 43,635 | 1,599 | 8,556 | 127 | 53,917 |
| Purchase at cost | 9,805 | 2,141 | 665 | – | 12,611 |
| Loan notes | – | – | 1,575 | – | 1,575 |
| Disposal proceeds | – | (733) | – | (144) | (877) |
| Realised gains/(losses) on disposals | – | (622) | – | (38) | (660) |
| Net unealised gains/(losses) on revaluation of investments | (4,223) | 3,438 | (2,558) | 55 | (3,288) |
| Valuation at 31 March 2010 | 49.217 | 5,823 | 8,238 | – | 63,278 |
| Book cost at 31 March 2010 | 46,421 | 10,606 | 7,043 | – | 64,070 |
| Net unrealised gains/(losses) at 31 March 2010 | 2,796 | (4,783) | 1,195 | – | (792) |
| Valuation at 31 March 2010 | 49,217 | 5,823 | 8,238 | – | 63,278 |

### For the year ended 31March 2009

| | Unlisted Equity Securities £'000 | Listed Equity Securities £'000 | Unlisted Debt £'000 | Hedge Funds £'000 | Total £'000 |
|---|---|---|---|---|---|
| Valuation at 31 March 2008 | 40,238 | 13,240 | 2,500 | 8,705 | 64,683 |
| Purchase at cost | 8,554 | 874 | 4,803 | – | 14,231 |
| Disposal proceeds | (13,833) | (8,468) | – | (8,113) | (30,414) |
| Convertible loan stock | 2,711 | – | (2,500) | – | 211 |
| Realised gains/(losses) on disposals | 5,635 | 1,884 | – | (434) | 7,085 |
| Net unealised gains/(losses) on revaluation of investments | 330 | (5,931) | 3,753 | (31) | (1,879) |
| Valuation at 31 March 2009 | 43,635 | 1,599 | 8,556 | 127 | 53,917 |
| Book cost at 31 March 2009 | 39,610 | 6,825 | 4,803 | 182 | 51,420 |
| Net unrealised gains/(losses) at 31 March 2009 | 4,025 | (5,226) | 3,753 | (55) | 2,497 |
| Valuation at 31 March 2009 | 43,635 | 1,599 | 8,556 | 127 | 53,917 |

# Notes to the Financial Statements continued

For the year ended 31 March 2010

## 12. Financial Assets Held at Fair Value through Profit and Loss (continued)

### (c) Net changes on assets at fair value through profit and loss

| | Year ended 31 March 2010 £'000 | Year ended 31 March 2009 £'000 |
|---|---|---|
| Realised (loss)/gain on dispocal | **(660)** | 7,085 |
| Unrealised loss on revaluation | **(3,288)** | (1,879) |
| Loans impaired | **–** | (3,348) |
| Total net changes on financial assets at fair value | **(3,948)** | 1,858 |

### (d) Fair value of financial instruments

The Company has classified its financial assets designated at fair value through the profit or loss and the Fair Value of derivative financial instruments using fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements. The hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 31 March 2010.

**As at 31 March 2010**

| **Assets** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Financial investments designated at fair value through profit or loss | 5,823 | – | 57,455 | 63,278 |
| Assets measured at fair value | 5,823 | – | 57,455 | 63,278 |

**As at 31 March 2009**

| **Assets** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| Financial investments designated at fair value through profit or loss | 1,599 | – | 52,191 | 53,790 |
| Fair value of derivative financial instruments | – | – | 127 | 127 |
| Assets measured at fair value | 1,599 | – | 52,318 | 53,917 |

### (e) Transfers between Level 1 and 3

The following table shows all transfers between Level 1 and Level 3 of the fair value hierarchy for financial assets recognised at fair value:

| **Financial assets** | **Transfers from Level 1 to Level 3 Year ended 31 March 2010 £'000** | **Transfers from Level 3 to Level 1 Year ended 31 March 2010 £'000** |
|---|---|---|
| Equity securities | **–** | 4,455 |

### (f) Level 3 reconciliation

Please see below a reconciliation disclosing the changes during the year for the financial assets designated at fair value through profit and loss classified as being Level 3.

| **Assets** | **£'000** |
|---|---|
| As at 1 April 2009 | 52,318 |
| total losses during the year | (6,764) |
| Purchases | 12,045 |
| Disposals | (144) |
| Transfers in | – |
| Transfers out | – |
| Assets as at 31 March 2010 | 57,455 |

## 13. Loan Receivable

| | **31 March 2010 £'000** | **31 March 2009 £'000** |
|---|---|---|
| Opening loan balance | **502** | – |
| Loan advanced during the year | **–** | 3,850 |
| Loan amounts received during the year | **(502)** | – |
| Loan impaired | **–** | (3,348) |
| Closing balance on loans | **–** | 502 |

## 14. Trade and other Receivable

| | **31 March 2010 £'000** | **31 March 2009 £'000** |
|---|---|---|
| Due from related company | **–** | 37 |
| Accrued income | **–** | 234 |
| Prepayments | **4** | 28 |
| | **4** | 299 |

## 15. Cash andcash equivalients

| | **31 March 2010 £'000** | **31 March 2009 £'000** |
|---|---|---|
| | **8,012** | 22,575 |

The cash equivalent investments are considered to be highly liquid, so that book cost is considered equivalent to fair value. The weighted average interest rate on cash balances at 31 March 2010 was 0% (2009: 0.87%). The Company has no material interest bearing liabilities.

# Notes to the Financial Statements continued

For the year ended 31 March 2010

## 16. Trade and other Payables

| | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|
| Administration fee payable | **19** | 21 |
| Directors' fees payable | **8** | 8 |
| Audit fee payable | **63** | 40 |
| Sundry creditors | **90** | 96 |
| | **180** | 165 |

## 17. Share Capital

| **Founder Shares** | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|
| 10,000 Founder Shares of £0.01 each authorised | | |
| Issued and fully paid | **–** | – |

Founder Shares have been created to facilitate the payment of carried interest. This performance based interest is calculated by reference to Absolute Shareholder Returns of the Company from Admission to the Alternative Investment Market of the London Stock Exchange. The carried interest will be paid by way of dividend on Founder Shares subject to two conditions: first that the average middle market closing price of an Ordinary Share on the 30 dealing days before the last day of the previous accounting period (the "Benchmark Price") exceeds the Benchmark Price for all prior periods; and second that Absolute Returns exceed 8 per cent per annum (non-compounded) of the subscribed ordinary share capital of the Company. Further details regarding this dividend are outlined in note 19.

### Ordinary Shares

There are an unlimited number of ordinary shares of nil par value authorised. At the end of the reporting period 72,750,000 (2009:73,050,000) have been issued and fully paid. The Ordinary Shares do not carry any right to fixed income.

### Treasury shares

The Company had 2,250,000 (2009: 1,950,000) Ordinary Shares held in Treasury at 31 March 2010.

## 18. Share Premium and Special Reserve

| | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|
| Share Premium | **–** | – |
| **Special reserve** | | |
| Opening balance | **71,198** | 73,148 |
| Shares repurchased | **(300)** | (1,950) |
| Closing balance | **70,898** | 71,198 |

## 19. Dividends

Subject to certain conditions, within 15 business days after the end of each successive accounting period, the Company will pay to Founder Shareholders a dividend with respect to that period (an "FSD Reference Period") based on the amount by which market capitalisation of the Company at the end of the relevant period exceeds the aggregate subscription price of Ordinary Shares issued pursuant to the Placing. The conditions for payment of a dividend to Founder Shareholders with respect to any FSD Reference Period will be as follows:

(1) firstly, that the average middle market closing price of an Ordinary Share on the last 30 days on which Ordinary Shares are traded on AIM ("Dealing Days") before the last day of the relevant FSD Reference Period (the "Benchmark Price"), as adjusted for dividends and other distributions in the relevant period, exceeds the Benchmark Price for all prior periods; and

(2) secondly, that Absolute Shareholder Returns on the last day of the FSD Reference Period exceed 8 per cent per annum (non-compounded) of the subsidiary ordinary share capital of the Company ("The Hurdle").

Subject to each of the above conditions being satisfied, and to there being available cash and distributable reserves to make the dividend payment (to the extent payable in cash), the amount payable to the Founder Shareholders will be the aggregate of:

(1) 25 per cent of the Hurdle or, if less, the amount by which Absolute Shareholders Returns exceed the Hurdle (the "Surplus"); and

(2) if the Surplus exceeds 25 per cent of the Hurdle, 20 per cent of that excess, less the aggregate of any dividends paid to Founder Shareholders in prior periods.

Founder Shareholders will be entitled to elect for some or all of the dividend payable to them to be satisfied by the issue to them of Ordinary Shares (valued at the average middle market closing price of an Ordinary Share on the last 30 Dealing Days of the relevant FSD Reference period). No such allotment shall be made if and to the extent that the issue of Ordinary Shares will result, to the knowledge of the Directors, in any person together with persons acting in concert to that person acquiring 30 per cent or more of the ordinary share capital of the Company.

The Company may declare dividends on Ordinary Shares in a general meeting but no dividend shall exceed the amount recommended by the Board. No dividend or other distribution shall be payable to holders of Ordinary Shares if the directors reasonably believe that payment will leave insufficient cash flows to enable the Company to pay the Founder Share dividend with respect to the accounting period in which such dividend or other distribution is proposed to be paid or made. The Board may from time to time pay to the members such interim dividends as appears to the Board to be justified by the profits of the Company. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

## 20. Net Asset Value per Share

| | **31 March 2010 £'000** | **31 March 2009 £'000** |
|---|---|---|
| Net Asset Va;ue | **71,114** | 77,127 |
| Ordinary Shares in issue | **72,750** | 73,050 |
| Net Asset Value per Ordinary Share (pence per share) | **97.75** | 105.58 |

The Net Asset Value per Ordinary Share is based on the Net Asset Value at the end of the reporting period and on 72,750,000 (2009: 73,050,000) Ordinary Shares being the shares in issue at the year end.

## 21.Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Details of fees paid to the Administrator, Investment Manager, Directors and Broker are outlined in notes 5 to 8.

# Notes to the Financial Statements continued

For the year ended 31 March 2010

## 22.Post Balance Sheet Events

On 18 June 2010, St Peter Port Capital Limited completed the restructuring of its investment in Red Flat Nickel Corporation. The Company's loan has been extended to 31 October 2011 in consideration for which the Company's preferred return on the loan was increased to $13 million plus interest. St Peter Port Capital (RFN) Limited (a wholly owned subsidiary of the Company) now holds 67 per cent of the equity in Red Flat Nickel Corporation and has control of its board. The Company intends to maximise the value of Red Flat Nickel Corporation's assets to realise value for shareholders in the medium term.

## 23.Financial Risks

### (a) Strategy in using financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

### (b) Market risk

The Company operates in a competitive market for investment opportunities. While the Investment Manager considers the Pre-IPO market to be an attractive area for investment, it is nonetheless likely that the Investment Manager will encounter competition for target investments from investors many of which will have significantly greater resources than the Company. There can be no assurance that these competitive pressures will not have a material adverse effect on the Company's business, financial condition and results of operations. As a result of this competition, the Investment Manager may not be able to take advantage of attractive investment opportunities from time to time. Furthermore, the Investment Manager can offer no assurance that it will be able to identify and make investments that are consistent with the Company's investment strategy.

#### Investments

All of the Company's intended investments present the risk of a loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry- specific conditions including, but not limited to, international economic conditions, international financial policies and performance, governmental events and changes in laws. Moreover, the Company may only have a limited ability to vary its investments in response to changing economic, financial and investment conditions.

#### Investments in small unquoted companies

The Company's investment portfolio will comprise interests predominantly in unquoted private companies and companies with an AIM listing which may be difficult to value and/or realise. Investment in the securities of smaller companies may involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may have limited product offerings, markets or financial resources and may be dependent on a small number of key individuals.

#### Investments in Hedge Funds

The Company's investment portfolio includes hedge funds and fund of hedge funds. The market risk at the fund of hedge funds investment level is controlled via the use of diversification across a wide range of hedge fund styles and holdings. The market risks associated with the Company's direct hedge funds are that the fund manager's strategies may not be transparent and may expose the Company to potential losses. Also the hedge fund may be dependent on a key individual or small team. The market risk is considered to be minimal as the holding during the year was very small and the investments were disposed of prior to the year end .

#### Concentration risk

It is possible that certain investments will represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will be adversely affected to a greater degree if any one of those investments were to perform badly than would be the case if the Company's portfolio of investments was more diversified.

## (b) Market risk (continued)

### Concentration risk

At the year end the overall investment allocation was as follows:

| | 31 March 2010 | | 31 March 2009 | |
|---|---|---|---|---|
| | **Fair Value** | **% of Net Assets** | **Fair Value** | **% of Net Assets** |
| | **£'000** | | **£'000** | |
| Pre-IPO Investments (including corporate debt) | **57,455** | **80.79** | 52,191 | 67.67 |
| Listed Investments | **5,823** | **8.19** | 1,599 | 2.07 |
| Hedge Funds and Funds of Hedge Funds | **–** | **–** | 127 | 0.16 |
| | **63,278** | **88.98** | 53,917 | 69.90 |

The Company's market risk is affected by three main components: changes in market prices for those listed entities, interest rate and foreign currency movements. Interest rate and foreign exchange movements are covered in notes below. If the market value of the listed investments at year end had increased / (decreased) by 5% with all other variables held constant, this would have impacted the assets attributable to shareholders of ordinary shares by approximately £291,000 (2009: £86,000).

5% is the sensitivity rate used when reporting market risk internally to key management personnel and represents managements assessment of the possible change in market risk.

# Notes to the Financial Statements continued

For the year ended 31 March 2010

### (c) Interest rate risk

The majority of the Company's financial assets and liabilities are non-interest bearing. However, the Company is exposed to some amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

| As at 31 March 2010 | Weighted Average Interest Rate | Interest bearing Less than 1 month £'000 | Non-interest bearing £'000 | Total £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Fixed interest rate securities | 12.00% | 3,564 | 55,040 | 58,604 |
| Floating interest rate securities | 8.78% | 4,674 | – | 4,674 |
| Fixed interest rate cash at bank | 0.00% | 430 | – | 430 |
| Floating interest rate cash at bank | 0.74% | 7,582 | – | 7,582 |
| Fixed interest rate loan receivable | 0.00% | – | – | – |
| Other receivables and prepayments | – | – | 4 | 4 |
| **Total assets** | | 16,250 | 55,044 | 71,294 |
| **Liabilities** | | | | |
| Accrued expenses | | – | 180 | 180 |
| **Total interest sensitivity gap** | | 16,250 | 54,864 | 71,114 |

| As at 31 March 2009 | Weighted Average Interest Rate | Interest bearing Less than 1 month £'000 | Non-interest bearing £'000 | Total £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Fixed interest rate securities | 12.00% | 2,961 | 45,361 | 48,322 |
| Floating interest rate securities | 7.31% | 5,595 | – | 5,595 |
| Fixed interest rate cash at bank | 0.06% | 679 | – | 679 |
| Floating interest rate cash at bank | 0.90% | 21,896 | – | 21,896 |
| Fixed interest rate loan receivable | 10.00% | – | 502 | 502 |
| Other receivables and prepayments | – | – | 299 | 299 |
| **Total assets** | | 31,131 | 46,162 | 77,293 |
| **Liabilities** | | | | |
| Accrued expenses | | – | 165 | 165 |
| **Total interest sensitivity gap** | | 31,131 | 45,997 | 77,128 |

The Investment Manager is permitted to utilise overdraft facilities towards the achievement of the Company's investment objectives. As at the end of the reporting period signing date, no overdraft facility has been negotiated or utilised.

## 23. Financial Instruments (continued)

### (d) Hedging and currency risk

The Company's investments are expected to be denominated in Pounds Sterling. The Investment Manager may invest in opportunities denominated in currencies other than Pounds Sterling and may, through forward foreign exchange contracts, hedge its exposure back to Pounds Sterling. While hedging may attempt to reduce currency risk, it is not possible to hedge fully or perfectly against currency fluctuations. Accordingly investors may, at certain times, be exposed to exchange rate risks between Pounds Sterling and other currencies, such that if the value of the other currencies falls relative to Pounds Sterling, the Company's assets will, in Pounds Sterling terms, be worth less.

The Company holds assets denominated in currencies other than Pounds Sterling, the functional currency. It is therefore exposed to currency risk, as the value of assets denominated in other currencies will fluctuate due to changes in exchange rates.

The table below summarises the Company's exposure to currency risks.

| | **31 March 2010** | | **31 March 2009** | |
|---|---|---|---|---|
| | **Value** | **% of Net Assets** | **Value** | **% of Net Assets** |
| | **£'000** | | **£'000** | |
| Australian Dollar | **579** | **0.81** | 361 | 0.47 |
| Canadian Dollar | **11,866** | **16.69** | 5,196 | 6.74 |
| Euro | **2,934** | **4.13** | 2,981 | 3.87 |
| US Dollar | **29,603** | **41.63** | 24,716 | 32.05 |

At year end, had the exchange rate between the currencies above and Sterling increased or decreased by 2% with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of ordinary shares would amount to approximately £12,000 (2009: £7,000) in the case of Australian Dollars, £237,000 (2009: £104,000) for Canadian Dollars, £59,000 (2009: £60,000) for Euro and £592,000 (2009: £494,000) for US Dollars.

As illustrated by the table above the majority of the currency risk is generated from the Company's equityexposure to the US and Canadian Dollar. The Company has not hedged these foreign currency equity holdings as the Investment Manager feels that, due to the nature of the commodities stocks held, fluctuations in the relevant exchange rates are implicit within the share price. For the unquoted pre-IPO holdings, fluctuations in the exchange rate will be implicit within the flotation price when these companies achieve a market listing.

### (e) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded on the market.

The Company is exposed to market price risk arising from its investment in a variety of marketable listed securities and unlisted investments.

The Company's exposure to market price risk is managed by the investment Adviser, which has a robust monitoring process through which the performance of the investments within the portfolio is assessed. Investment performance is monitored on a quarterly basis to ensure that NAV movements in the underlying investments are consistent with the Company's strategy.

The Company's exposure to price risk takes the form of net asset value movements delivered by the underlying investments. The Directors consider that the Investment Adviser manages the Company's exposure to price risk by way of its rigorous process, as described.

# Notes to the Financial Statements continued

For the year ended 31 March 2010

## 23. Financial Instruments (continued)

### (e) Price risk (continued)

A 5% increase in the value of stock at year end would have increased the net assets attributable to shareholders by £3,163,900 (2009: £2,695,800). An equal change in the opposite direction would have decreased the net assets attributable to shareholders by an equal but opposite amount.

### Other price risk

Other price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Company's financial instruments are carried at fair value with changes in value recognised in the Statement of Comprehensive Income , all changes in market conditions will directly affect net investment income. The table below details the breakdown of the investment assets held by the Company.

| Investment assests | 31 March 2010 % of Net Assets | 31 March 2009 % of Net Assets |
|---|---|---|
| Equity investments: | | |
| Unlisted equities | **69.21** | 56.58 |
| Listed equities | **8.19** | 2.07 |
| Hedge fund and fund of hedge funds | **0.00** | 0.16 |
| Debt instruments: | | |
| Corporate debt | **11.58** | 11.09 |
| **Total investments assets** | **88.96** | 69.90 |

### (f) Liquidity risk

The Company's financial instruments include unlisted equity instruments, some of which are not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements. The table below details the contractual, undiscounted cash flows of the Companyís financial liabilities.

### 31 March 2010

| | Less than 1 month | 1–3 months | 3 months to 1 year | No stated maturity |
|---|---|---|---|---|
| All amounts stated in £'000 | | | | |
| Financial liabilities | | | | |
| Accounts payable | **27** | – | – | – |
| Accrued expensea | **153** | – | – | – |
| | **180** | – | – | – |

### 31 March 2009

| | Less than 1 month | 1–3 months | 3 months to 1 year | No stated maturity |
|---|---|---|---|---|
| All amounts stated in £'000 | | | | |
| Financial liabilities | | | | |
| Accounts payable | 29 | – | – | – |
| Accrued expensea | 137 | – | – | – |
| | 165 | – | – | – |

The gross nominal outflow disclosed above is the contractual, undiscounted cash flow on the financial liability or commitment.

## 23. Financial Instruments (continued)

### (g) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period. At the end of the reporting period, the Company's financial assets exposed to credit risk amounted to the following:

| | 31 March 2010 £'000 | 31 March 2009 £'000 |
|---|---|---|
| Investments in debt instruments | **8,238** | 8,555 |
| Loan receivable | **–** | 502 |
| Cash and cash equivalents | **8,012** | 22,575 |
| Other assets | **4** | 299 |
| **Total** | **16,254** | 31,931 |

Amounts in the above table are based on the carrying value of all accounts.

Many of the markets in which the Company may effect its transactions are "over-the-counter" or "inter-dealer" markets. Participants in these markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. To the extent that the Company invests in swaps, derivatives or synthetic instruments, or other over-the-counter transactions in these markets, it may take a credit risk with regard to parties with which it trades and may also bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions, which generally are characterised by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject the Company to the risk that the counterparty will not settle a transaction in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such "counterparty risk" is increased for contracts with longer maturities when events may intervene to prevent settlement.

The ability of the Company to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses to the Company. The risks associated with counterparties may adversely affect the Company's investments, business, financial condition and prospects and the market price of the shares, and may lead to a total loss of the shareholders investment. Apart from cash at bank and broker held with reputable financial institutions, the Company's financial assets exposed to credit risk were concentrated in the following industries:

| | 31 March 2010 % of Net Assets | 31 March 2009 % of Net Assets |
|---|---|---|
| Financial Services | **0.06** | 0.07 |
| Food & Beverages | **7.69** | 4.35 |
| Media | **1.85** | 1.81 |
| Mining | **38.04** | 29.14 |
| Drillling | **2.08** | – |
| Oli & Gas | **29.74** | 19.70 |
| Real Estate | **2.74** | 0.37 |
| Renewable energy | **2.56** | 10.40 |
| Technology | **4.22** | 3.89 |
| Hedge Funds and Funds of Hedge Funds | **–** | 0.17 |
| **Total** | **88.98** | 69.90 |

Other than outlined above, there were no significant concentrations of credit risk at the year end.

# St Peter Port Capital Limited
# Notice of Annual General Meeting

PO Box 119
Martello Court
Admiral Park
St Peter Port
Guernsey

11 September 2010

**NOTICE IS HEREBY GIVEN THAT THE THIRD ANNUAL GENERAL MEETING OF THE MEMBERS OF ST PETER PORT CAPITAL LIMITED WILL BE HELD AT MARTELLO COURT, ADMIRAL PARK, ST PETER PORT, GUERNSEY ON WEDNESDAY 6 OCTOBER 2010 AT 10.30A.M. TO CONSIDER AND IF THOUGHT FIT PASS THE FOLLOWING RESOLUTIONS:**

## RESOLUTIONS

1. To receive and consider the annual audited accounts and balance sheet and the reports of the Directors and Auditors for the period ended 31st March 2010.
2. To consider the re-appointment of Arthur Leonard Robert Morton as a Director of the Company, who has offered himself for re-appointment in accordance with the Company's Articles of Association.
3. To consider the re-appointment of Graham Shore as a Director of the Company, who has offered himself for re-appointment in accordance with the Company's Articles of Association.
4. To re-appoint PWC CI LLP, the auditors of the Company, to hold office from the conclusion of the meeting until the conclusion of the next meeting at which the accounts are presented to the Company and to authorise the directors to fix their remuneration.
5. To consider and if appropriate approve the Company's investment strategy.

## SPECIAL BUSINESS

6. THAT the Company be and is hereby re-authorised in accordance with Section 5 of The Companies (Purchase of Own Shares) Ordinance, 1998 to make market purchases of its own shares provided that:
   (a) the maximum number of ordinary shares authorised to be acquired is such number as represents 14.99 per cent. of the shares in issue from time to time (rounded to the nearest whole number);
   (b) the minimum price which may be paid for a share is £0.01;
   (c) the maximum price which may be paid for a share is not more than 5 per cent. above the average of the middle market quotations for the relevant shares, as published by the London Stock Exchange for the five business days before the purchase is made; and
   (d) such authority shall expire on the date of the annual general meeting of the Company in 2011 unless the authority is varied, renewed, or revoked prior to such date by a resolution of the Company in a general meeting or the Company has made a contract to purchase its own shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration.

## SPECIAL RESOLUTION

7. THAT the Memorandum and Articles of Incorporation of the Company be and are hereby amended as follows:
   1. Any reference in the Memorandum and Articles of Incorporation to:
      (a) the "Memorandum of Association" is replaced with a reference to the "Memorandum of Incorporation";
      (b) the "Articles of Association" is replaced with a reference to the "Articles of Incorporation";
      (c) "The Companies (Guernsey) Law, 1994" or any Ordinance repealed by Schedule 5 of The Companies (Guernsey) Law, 2008 is replaced with a reference to "The Companies (Guernsey) Law, 2008";

(d) a specific section or sections of The Companies (Guernsey) Law, 1994 or any Ordinance described in (c) above is replaced with a reference to the corresponding section or sections of The Companies (Guernsey) Law, 2008.

2. The Memorandum of Incorporation is amended by:

(a) deleting the existing clauses 3, 5, 6, 7, 8 and 9;

(b) inserting a new clause 3 as follows:

"The Company is a non-cellular company within the meaning of section 2(1)(c) of The Companies (Guernsey) Law, 2008."

(c) inserting a new clause 5 as follows:

"The Company may make or alter:

(A) any provision in the Memorandum relating to any matter mentioned in section 15(7) of The Companies (Guernsey) Law, 2008 by special resolution; and

(B) any other provision in the Memorandum in the manner prescribed by the Statutes."

3. The Articles of Incorporation are amended by deleting the first sentence of Article 4 and paragraphs 4.1.1 and 4.1.2;

4. The Articles of Incorporation are amended by inserting the following new Article 47 immediately after Article 46:

## 47. OVERRIDING PROVISION

(1) The standard articles of incorporation prescribed pursuant to the Statutes are disapplied in respect of the Company.

(2) Subject to these Articles, the Company may:

(a) make arrangements on the issue of shares to distinguish between Members as to the amounts and times of payments of calls on their shares;

(b) accept from any Member the whole or any part of the amount remaining unpaid on any shares held by him (although no part of that amount has been called up); and

(c) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

(3) Subject to these Articles, the Company may:

(a) issue fractions of a share in accordance with the Statutes; and

(b) hold shares as treasury shares in accordance with the Statutes.

(4) The Board may exercise the power of the Company to issue shares or grant rights to subscribe for or convert any security into shares on such terms and conditions as they see fit, subject to any restrictions on the exercise of such power in the Articles that are not overridden by paragraph (5) of this Articles. For the avoidance of doubt this power shall not be limited (either in the number of shares or in the period for which it may be exercised) and shall not require any authorisation of the Members of the Company (whether by Ordinary Resolution or otherwise), but may at any time be revoked or restricted by Ordinary Resolution of the Company.

(5) Notwithstanding any other provision of these Articles:

(a) The Company may issue any number of shares. The issue of shares in the Company shall not be restricted by reason of any provision in the Articles stating the authorised share capital of the Company or requiring a resolution of Members to increase such share capital.

(b) The Company may issue shares whether they have a nominal value (denominated in any currency) or no par value, but otherwise subject to any restrictions in the Articles on the issue of shares.

(c) Shares in the Company may be issued as, or all or any class of its shares converted into, shares (whether ordinary shares or preference shares) that are, or at the option of the Company or the Member are, liable to be redeemed, but otherwise subject to any restrictions in the Articles on the issue or conversion of shares.

# St Peter Port Capital Limited
# Notice of Annual General Meeting continued

(d) The Company may by Ordinary Resolution:

(i) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;

(ii) subject to the Statutes, subdivide all or any of its shares into shares of a smaller amount;

(iii) cancel shares which have not been taken up or agreed to be taken up by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(iv) convert all or any of its shares the nominal amount of which is expressed in a particular currency or former currency into shares of a nominal amount of a different currency, the conversion being effected at a rate of exchange calculated to not less than 3 significant figures on such date as the Board may determine;

(v) where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency, or otherwise; or

(vi) reduce the Company's share capital, share premium account or any capital reserve in accordance with the Statutes.

(e) The Company may acquire its own shares (including any redeemable shares) in accordance with the Statutes, whether the purchase price for such shares is paid from the Company's profits, capital, share premium account or any capital reserve.

(f) Subject to the Statutes a resolution in writing shall be as effective as if the same had been duly passed at a general meeting if:

(i) in the case of an Ordinary Resolution, it is signed by or on behalf of Members representing a simple majority of the total voting rights of Members eligible to vote on the resolution on the circulation date;

(ii) in the case of a Special Resolution, it is proposed as such and signed by or on behalf of Members representing not less than seventy five per cent of the total voting rights of Members eligible to vote on the resolution on the circulation date;

(iii) in the case of a resolution required by the Statutes to be passed as a waiver resolution, it is proposed as such and signed by or on behalf of Members representing not less than ninety per cent of the total voting rights of Members eligible to vote on the resolution on the circulation date;

(iv) in the case of a resolution required by the Statutes to be passed as a unanimous resolution, it is proposed as such and signed by or on behalf of all Members eligible to vote on the resolution on the circulation date.

(g) Any prohibition or limitation in the Articles on paying dividends or issuing bonus shares otherwise than out of the profits of the Company, or declaring dividends or issuing bonus shares only to the extent justified by the profits of the Company, shall be of no effect. The payment of a dividend or the issue of bonus shares out of the Company's capital, share premium account or any capital reserve shall not be treated as a capital reduction for the purposes of the Articles.

(h) All Members are deemed to have agreed to accept communication from the Company by electronic means (including via the Company's website) unless the Members notify the Company otherwise. Notice under this paragraph (h) must be in writing and signed by the Member and delivered to the Office or such other place as the Board direct.

(i) Any exemption from liability or indemnity contained in any provision of the Articles shall be deemed to be limited to the extent (and only to the extent) necessary to ensure its compliance with and validity under the Statutes and, subject to that limitation, may be read as if it were lawful to the fullest extent permitted by the Statutes."

By Order of the Board

**I Clarke**
Director for Intertrust Fund Services (Guernsey) Limited
Corporate Secretary

Please note that you are entitled to appoint a Proxy to vote instead of you on any poll. The Proxy need not be a Member of the Company. The form appointing a Proxy must be lodged with Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU at least 48 hours before the Meeting to enable the Proxy to vote for you.

See notes below

## Notes:

1. A Shareholder entitled to attend and vote at the Meeting is entitled to appoint two or more persons as proxies in the alternative, but only one of such proxies may attend as such and vote instead of such Shareholder. A proxy need not also be a Shareholder. The delivery of an appointment of proxy shall not preclude a Shareholder from attending and voting at the Meeting or at any adjournment thereof.

2. To be valid a proxy form (and any power of attorney or other authority (if any) under which the proxy form is signed (or a certified copy thereof)) must be lodged at the registered office of the Company not less than 48 hours before the time for holding the Meeting or any adjournment thereof. A proxy form is enclosed.

3. The quorum for the Meeting is two Shareholders present either in person or by proxy. The majority required for the passing of any special resolutions is seventy-five per cent. (75%) or more of the total number of votes cast on each such special resolution. The majority required for the passing of any ordinary resolutions is more than fifty per cent. (50%) of the total number of votes cast on each such ordinary resolution.

4. At the Meeting the votes may be taken by a show of hands or on a poll, at the option of the Chairman. On a show of hands every Shareholder present, in person or by proxy, shall have one vote. On a poll every Shareholder who is present, in person or by proxy, shall have one vote for every Ordinary Share held by him. On a poll votes may be given either personally or by proxy. A Shareholder entitled to more than one vote need not use all of his votes or cast all of the votes he uses in the same way.

5. If, within fifteen minutes from the appointed time for the Meeting, a quorum is not present, then the Meeting will be adjourned to the same time on 13 October 2010 at the same address. At the adjourned Meeting, those Shareholders present, in person or by proxy, will form a quorum whatever their number and the number of Ordinary Shares held by them. Again, a majority of not less than seventy-five per cent. (75%) of the total number of votes cast is required to pass any special resolutions. The majority required for the passing of any ordinary resolutions is more than fifty per cent. (50%) of the total number of votes cast on each such ordinary resolution.

6. Where there are joint registered holders of any Ordinary Share such persons shall not have the right of voting individually in respect of such Ordinary Share, but shall elect one of their number to represent them and to vote, either in person or by proxy, in their name.

7. No Shareholder shall be entitled to be present or take part in any proceedings or vote, either in person or by proxy, at the Meeting unless all calls due from him have been paid. No Shareholder shall be entitled to vote in respect of any Ordinary Shares unless he has been registered as their holder. For the purposes of determining which persons are entitled to attend or vote at the Meeting and how many votes such person may cast the Shareholder must be entered on the register of Shareholders, held at the registered office of the Company, 48 hours before the time fixed for the Meeting.

8. Special Resolution 7 is being proposed as a result of the introduction of The Companies (Guernsey) Law 2008 on 1 July 2008 (the “Law”) which made it necessary for all Guernsey companies to amend their Memorandum and Articles of Association to comply with the new Law.

# St Peter Port Capital Limited
# Notice of Annual General Meeting continued

## EXPLANATORY NOTES OF KEY CHANGES TO THE COMPANY'S MEMORANDUM AND ARTICLES OF ASSOCIATION BY THE ADOPTION OF THE SPECIAL RESOLUTION

The key changes are as follows:

- References to Memorandum and Articles of Association have been replaced with reference to Memorandum and Articles of Incorporation.
- The passing of the Special Resolution will ensure that the Memorandum and Articles of Incorporation reflect the companies law currently in force in Guernsey, namely The Companies (Guernsey) Law, 2008, as amended.
- References to previous laws and ordinances have been replaced with references to The Companies (Guernsey) Law, 2008, as amended.
- The passing of the Special Resolution provides for unlimited objects, unrestricted share capital and the ability to amend the Memorandum by special resolution.
- The passing of the Special Resolution provides for the issue of shares with or without a par value.
- The passing of the Special Resolution provides for written resolutions to be passed by a majority of members rather than unanimously.
- The passing of the Special Resolution provides for payment of dividends and other distributions from income or capital.
- The passing of the Special Resolution provides for the ability to give notice of general meetings by e-mail and by posting a notice on the Company's website.
- The passing of the Special Resolution provides for the indemnification of Directors consistent with The Companies (Guernsey) Law, 2008, as amended.

# St Peter Port Capital Limited ("the Company")

FORM OF PROXY FOR USE AT THE THIRD ANNUAL GENERAL MEETING to be held at Martello Court, Admiral Park, St Peter Port, Guernsey, on Wednesday 6 October 2010 at 10.30a.m. and at any adjournment thereof

I/We

(BLOCK LETTERS PLEASE)

of

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

as my/our proxy to vote for me/us and on my/our behalf at the Third Annual General Meeting of the Company to be held at Martello Court, Admiral Park, St Peter Port, Guernsey, on Wednesday 6 October 2010 at 10.30a.m. and at any adjournment thereof. To allow effective constitution of the meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy, an alternative proxy may be named if desired. A proxy need not be a member of the Company.

I/We direct my/our proxy to vote as follows:

| ORDINARY RESOLUTIONS | FOR | AGAINST | ABSTAIN |
|---|---|---|---|
| 1 To receive and consider the annual audited accounts and balance sheet and the reports of the Directors and Auditors for the period ended 31st March 2010 | ☐ | ☐ | ☐ |
| 2 To consider the re-appointment of Arthur Leonard Robert Morton as a Director of the Company, who has offered himself for re-appointment in accordance with the Company's Articles of Association | ☐ | ☐ | ☐ |
| 3 To consider the re-appointment of Graham Shore as a Director of the Company, who has offered himself for re-appointment in accordance with the Company's Articles of Association | ☐ | ☐ | ☐ |
| 4 To re-appoint PWC CI LLP the auditors of the Company, to hold office from the conclusion of the meeting until the conclusion of the next meeting at which the accounts are presented to the Company and to authorise the directors to fix their remuneration | ☐ | ☐ | ☐ |
| 5 To consider and if appropriate approve the Company's investment strategy | ☐ | ☐ | ☐ |
| 6 THAT the Company be and is hereby re-authorised in accordance with Section 5 of The Companies (Purchase of Own Shares) Ordinance, 1998 to make market purchases of its own shares, in accordance with the provisions detailed in the Notice of this Annual General Meeting | ☐ | ☐ | ☐ |
| **SPECIAL RESOLUTION** | | | |
| 7 THAT the Memorandum and Articles of Incorporation of the Company be and are hereby amended in accordance with the Special Resolution detailed in the Notice of this Annual General Meeting | ☐ | ☐ | ☐ |

Signed this day of 2010

Signature

in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman

**NOTES:**

(i) Please indicate with an "X" in the appropriate box how you wish the proxy to vote.

(ii) The proxy will exercise his discretion as to how he votes or whether he abstains from voting:

a. on the resolutions referred to in this form of proxy if no instruction is given in respect of the resolution; and

b. on any business or resolution considered at the meeting other than the resolutions referred to in this form of proxy.

(iii) To be valid the original of this form of proxy and the original of any power of attorney or of the authority under which it is executed (or a certified or office copy of such power of attorney) must be lodged with Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time appointed for the Third Annual General Meeting. Completing and returning this form of proxy will not prevent you from attending the meeting and voting in person if you so wish.

(iv) A form of proxy executed by a corporation must be either under its common seal or signed by an officer or attorney duly authorised by that corporation.

(v) In the case of joint holdings, the signature of the first named Member on the Register of Members will be accepted to the exclusion of the votes of the other joint holders.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
Licence No.MB122

2

**Capita Registrars**
**Proxies Department**
**PO Box 25**
**The Registry**
**34 Beckenham Road**
**BECKENHAM**
**Kent**
**BR3 4BR**

FIRST FOLD

SECOND FOLD

# Officers and Professional Advisers

## Directors (all non-executive)
Arthur Leonard Robert Morton (Chairman)
Simon Charles Bourge (Director)
Timothy Erling Childs (Director)
Graham Barry Shore (Director)
Peter Francis Griffin (Director)

## Administrators and Registered Office
Intertrust Fund Services (Guernsey) Limited
P.O. Box 119
Martello Court
Admiral Park
St Peters Port
Guernsey, GY1 3HB

## Investment Manager
St Peter Port Investment Management Limited
P.O. Box 119
Martello Court
Admiral Park
St Peters Port
Guernsey, GY1 3HB

## Nominated Advisor
Deloitte LLP
2 New Street Square
London
EC4A 3BZ

## Registrar
Capita Registrars (Guernsey) Limited
2nd Floor
No. 1 Le Truchot
St Peter Port
Guernsey GY1 4AE

## Brokers
Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

## Independent Auditors
PriceWaterhouseCoopers CI LLP
National Westminster House
Le Truchot
St Peter Port
Guernsey GY1 4ND

## Legal Advisors to the Company as to English Law
Beachcroft LLP
10-22 Victoria Street
Bristol
BS99 7UD

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA

## Legal advisor to the Company as to Guernsey, GY1 3HBGuernsey Law
Carey Olsen
P.O. Box 98
Carey House, Les Banques
St. Peter Port
Guernsey GY1 4BZ

## Bankers
MeesPierson (CI) Limited
PO Box 253
Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3QJ

The Royal Bank of Scotland
International Limited (RBS International)
Royal Bank Place
1 Glategny Esplanade
St Peter Port.
Guernsey GY1 4BQ

## Custodian
MeesPierson (CI) Limited
PO Box 253
Martello Court
Admiral Park
St Peter Port
Guernsey GY1 3QJ

St Peter Port Capital Limited
PO Box 119
Martello Court
Admiral Park
St Peter Port
Guernsey
GY1 3HB

+44 (0) 1481 751 000

**www.stpeterportcapital.gg**