



REPORT & FINANCIAL STATEMENTS
for the fourteen month period ended 30 September 2006

***STARVEST**plc*

CONTENTS

	PAGES
Company information	2
Chairman's statement	3
Review of portfolio	5
Board of directors	13
Directors' report	14
Statement of directors' responsibilities	17
Report of the independent auditor	18
Profit and loss account	19
Balance sheet	20
Cash flow statement	21
Notes to the financial statements	22-30
Notice of annual general meeting	31
Company share price information and announcements	33
Form of proxy for use at the annual general meeting	35

COMPANY INFORMATION

Directors	R Bruce Rowan – Chairman & Chief Executive A C R Scutt – Non executive director John Watkins – Finance director
Secretary, registered office and business address	John Watkins, FCA 123 Goldsworth Road, Woking Surrey GU21 6LR email@starvest.co.uk Tel: 01483 771992 Fax: 01483 772087
Auditor	Grant Thornton UK LLP Churchill House Chalvey Road East Slough SL1 2LS
Registered number	3981468
Solicitors	Ronaldsons 55 Gower Street London WC1E 6HQ
Nominated advisor	Grant Thornton UK LLP Manor Court Barnes Wallis Road Segensworth Fareham Hampshire PO15 5GT
Bankers	Allied Irish Bank 10 Berkeley Square London W1J 6AA
Broker	Simple CFDs Limited 1 High Street Godalming Surrey GU7 1AZ
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN Tel: 01252 821390
Listing	London Stock Exchange Alternative Investment Market (AIM) Ticker: SVE
Website	Register for email alerts at www.starvest.co.uk updated regularly to provide information as it is released to the market

CHAIRMAN'S STATEMENT

I am pleased to present my fifth annual statement to Shareholders for the fourteen month period ended 30 September 2006.

HIGHLIGHTS

Your Directors' chosen investment policy has generated exciting results during the fourteen months to 30 September 2006 which record:

- ◆ a gross profit of £1.6m,
- ◆ a profit before tax of £1.335m, and
- ◆ a profit after tax of £938,528.

As at 30 September, the Company had:

- ◆ net current assets and net assets of £2,637,433, an increase of 55% during the period;
- ◆ trade investments with a mid market valuation of £12.1m; although this is lower than the peak valuation earlier in the period, this represents an increase of 86% since July 2005;
- ◆ unrealised investment profits of £8.9m.

The underlying net asset value per share based on the mid market quotations as at 30 September 2006 was 28.29 pence, an increase of 67% since 31 July 2005. These values are stated on a fully diluted basis but before tax on unrealised profits. The month-end values since July 2004 are as follows:

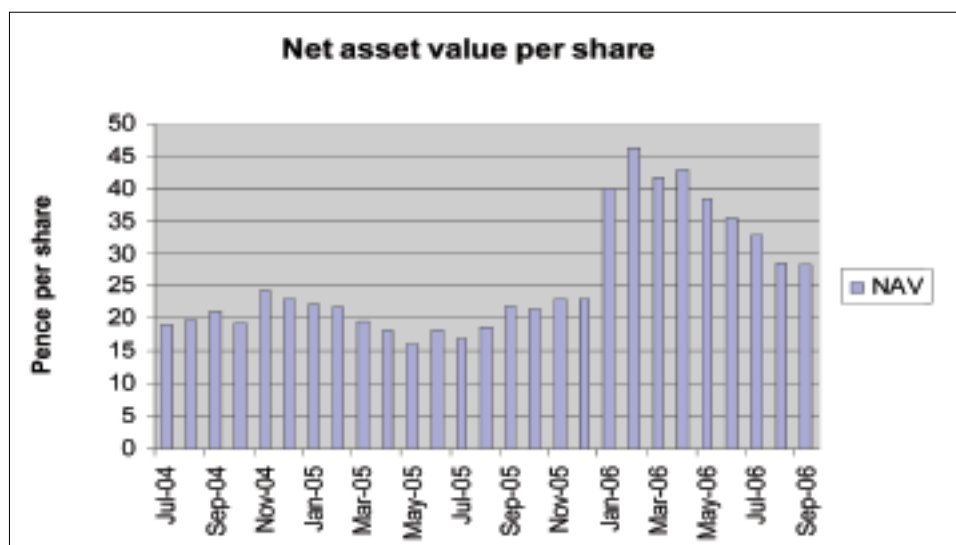
REVIEW OF BUSINESS & CURRENT ACTIVITIES

Your Company has 78% by value of its current investments in the natural resource sector where declining sentiment has been a feature of the market and therefore of share prices during the past few months. Therefore, as occurred during the previous year, it is not surprising to find that the net asset value has fallen since the high points during the period January to May 2006.

This situation presents both challenges and opportunities. Notwithstanding the market conditions, your Board remains of the opinion that the natural resources sector holds considerable promise for exciting growth in the medium term. Much is written about the insatiable demand of China for access to natural resources; we believe that the population explosion leading to increased economic growth in India will significantly increase its demands too.

The fact that your Company was able to take profits early in 2006 has enabled us to acquire several new investments at attractive prices as well as add to existing holdings.

Your company now holds a spread of twenty-five investments of which fifteen are quoted on AIM, nine are quoted on PLUS (formerly Ofex) and one which expects to be admitted to AIM by the end of the calendar year.



CHAIRMAN'S STATEMENT CONTINUED

Your Company has board representation on seven investee companies: Tony Scutt is a non executive director of Addworth plc, Agricola Resources plc and of Beowulf Mining plc; John Watkins is a non executive director of Greatland Gold plc, Franchise Investment Strategies plc, Red Rock Resources plc and of Regency Mines plc.

The Company continues to seek opportunities to invest in small company new issues and support pre-IPO opportunities so as to enhance shareholder value and to make disposals as market conditions permit.

FUNDING REQUIREMENT

In my 2004 Annual Report, I indicated that a further fundraising was possible. In the event, we were able to take acceptable profits and so raise cash to finance new investment opportunities; this has been repeated during the 2005-2006 period. Consequently, we have avoided the need to dilute the existing shareholdings.

In addition, during the past trading period we have made good use of a bank borrowing facility.

DIVIDENDS

In the past we indicated an intention to pay a first dividend when circumstances permit and to accelerate this process we called an Extraordinary General Meeting with the intention to lodge a petition to the High Court to have the deficit on the profit and loss account eliminated by offset against the

share premium account. In the event, this process was rendered obsolete by the profits we were able to take earlier in the year. Whilst the payment of a dividend is now technically possible, we do not propose it until greater liquid resources are available; we will keep the matter under review.

SHAREHOLDER INFORMATION

We expect to make a net asset value statement immediately prior to the annual general meeting. Thereafter, we expect to issue an interim statement during mid April and quarterly updates by mid January and mid July.

Announcements made to the London Stock Exchange are sent to those who register at the Company website, www.starvest.co.uk where historic reports and announcements are also available.

OUTLOOK

Given the increased spread of investments, the Directors look forward with optimism to reporting increased asset values in the year ahead.

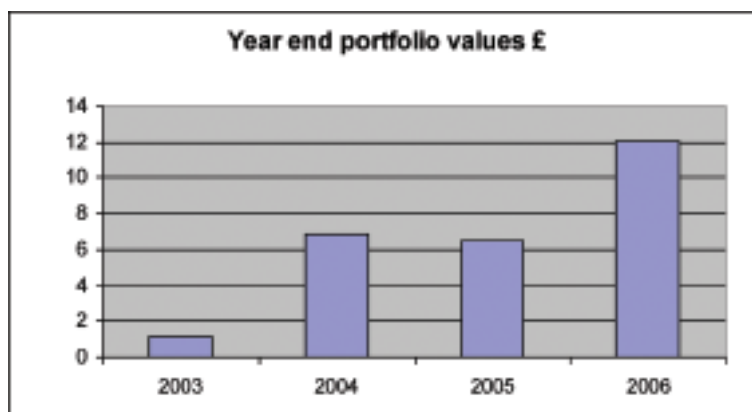
ANNUAL GENERAL MEETING

As indicated on page 31, we plan to hold our annual general meeting on Tuesday 12 December when we look forward to meeting those Shareholders able to attend.

R Bruce Rowan
Chairman & Chief Executive
30 October 2006

REVIEW OF PORTFOLIO

The Starvest portfolio value has increased dramatically over the past four years:



At 30 September 2006, the portfolio comprised investments in the following companies:

Addworth plc - (AIM ticker: ADW)

WEBSITE: www.addworth.co.uk



Addworth is an active capital investment company specialising in the financing, promotion and launching of early-stage entrepreneurially-managed companies, seeking eventual admission to the AIM or PLUS markets. Addworth provides strategic consultancy services for their further development while retaining key equity interests and thereby establishing its own investment portfolio. Successful introductions notably include EBTM plc (formerly known as e-retail plc), Myhome International plc, The Core Business plc, Cheerful Scout plc, and Yellowcake plc. Addworth recently recorded its first interim profit, and is presently working on promoting a number of new flotations in a range of market sectors.

African Platinum plc ("Afplats") - (AIM ticker: APP)

formerly, Southern African Resources plc



WEBSITE: www.afplats.com

Afplats is a mineral exploration and investment business focused on platinum group metals (PGM) in Southern Africa. The company's flagship project is Leeuwkop on the western limb of South Africa's Bushveld Complex, the world's major platinum region. Afplats' definitive feasibility study estimates a Leeuwkop resource of 53 million ounces, making this project one of the most attractive development opportunities on the Bushveld Complex.

A resource update on the adjacent Imbasa and Inkosi properties further increased the 4E mineral resource to 92 million ounces, making Afplats and its black economic empowerment partners one of the top four PGM resource bases in Southern Africa.

A low-cost mine producing some 300,000 ounces of 4E per year for over 20 years by 2011 is planned as the first phase of the Leeuwkop development. Market demand for PGMs continues to be robust, and with platinum in supply deficit and prices strongly supported, the outlook is attractive. Furthermore Afplats has exploration rights over potential PGM targets in Botswana, Zimbabwe, and Mozambique.

Although US investors now hold an important part of the Afplats equity, the company has abandoned plans for a secondary listing on the American Stock Exchange. Afplats remains a key element in the Starvest portfolio.

REVIEW OF PORTFOLIO CONTINUED

Agricola Resources plc - (PLUS ticker: AGRI)WEBSITE: www.agricolaresources.com

Agricola's focus is directed towards finding and developing uranium deposits in Finland where the planned expansion of that country's nuclear energy capability makes any future supply of indigenous uranium in place of present imports, a project of national significance. Agricola has two separate claim licence areas, Kauhee and Hautajaervi, covering a total of 153 sq km. Following its own exploration programme in 2005 which had yielded promising results, Agricola has entered into a formal option agreement with Cooper Minerals Inc., a Toronto-quoted mining company, for the acquisition of an undivided 50% interest in certain reconnaissance licences held by Agricola and located in the Paukkajanvaara Kauhee concession area, where test mining in 1960/61 produced 30 tonnes of yellowcake. Meanwhile radon surveys to define further drilling targets in both licence areas have been undertaken and results will be announced in due course.

Belmore Resources (Holdings) plc - (PLUS ticker: BEL)WEBSITE: www.belmoreresources.com

Belmore is a minerals exploration company focused entirely on the Republic of Ireland and Northern Ireland, with the objective of discovering and delineating world-class mineral deposits. Its exploration drilling activities have so far been confined to zinc exploration properties in County Clare, where it holds a 50% interest in eight prospecting licences covering 330 sq.km. Previous exploration work had identified a high-grade resource of zinc and lead-rich massive sulphides, assessed at some 400,000 tonnes at 12% zinc plus lead. Further drilling is envisaged this year on three newly-awarded licences in the County Clare area.

Beowulf Mining plc - (AIM ticker: BEM)WEBSITE: www.beowulfmining.com

Beowulf's activities remain focused on the exploration and development of mineral deposits in Northern Sweden, where it has six project areas considered to have commercial potential: Ruotevare (iron titanium), Kallak (iron), Ballek (copper gold), Jokkmokk (copper gold), Grundtrask (gold) and Ussalahti (copper gold).

The Ruotevare project is closest to development under current plans, a scoping study of the deposit having been carried out by the Swedish Raw Materials Group to assess and confirm the initial viability of the project, albeit subject to further review of transport means and costs for the product evacuation and of operating factors in the achievement of projected production levels. A production target of 10 million tonnes per year, with start-up in 2008 is currently assumed.

Latest drilling results on the Grundtrask project show higher gold grades than had been recorded from previous intersections, leading to the belief that further gold-bearing bedrock structures remain to be discovered.

Black Rock Oil & Gas plc - (AIM ticker: BLR)WEBSITE: www.blackrockoilandgasplc.co.uk

Black Rock is an oil and gas exploration company which aims to identify new projects with a real chance of leading to production. It has recently confined its efforts to building a portfolio of interests in the North Sea, the Celtic Sea, and Colombia. In the latter, it has acquired a 50%

REVIEW OF PORTFOLIO CONTINUED

non-operated equity interest in the 249,000 acre Las Quinchas Association Contract located in the prolific Middle Magdalena Valley. This has provided Black Rock with access to significant oil from the three known fields of Arce, Baul, and Bukhara. Arce alone is estimated to contain gross recoverable oil reserves of 5 million barrels, and is expected to commence commercial production during 2007. Black Rock also has a 50% holding in the Alhucema Association Contract where seismic acquisition will be undertaken this year.

Black Rock has recently succeeded in obtaining a \$US4.27 million funding of its 15% share of appraisal drilling and testing costs of the 49/8c-4 well in the Wintershall-operated Monterey Gas Field in the Southern Gas Basin of the UK North Sea.

Brazilian Diamonds Limited - (AIM ticker: BDY)

WEBSITE: www.braziliandiamonds.com



Brazilian Diamonds is a leading Brazil-based exploration company focused on the discovery of kimberlites on its extensive portfolio of properties in the State of Minas Gerais, south of Brasilia, with a view to becoming a significant producer of diamonds from the 140 kimberlites it currently holds. Its diamond exploration data bases have been acquired largely from De Beers for cash and shares.

Brazilian Diamonds await final approval of the development of the Canastra 1 kimberlite body with the mine ready and able to commence production on receipt of the requisite clearance from the Federal Environment Agency. The company also forms joint ventures for non-core activities on its properties. Thus a recent feasibility study was undertaken to assess a proposed joint venture operation with two major Brazilian companies to mine alluvial diamonds on its properties in the Santo Antonio do Bonito river drainage area, and with some success, as among the 31 diamonds weighing a total of over 19 carats, there was a 5.9 carat light pink stone worth an estimated US\$ 45,000!

With the intensifying world shortage of natural rough diamonds and demand expected to be almost double available supply by 2015, the outlook for diamond prices remains especially strong.

Carpathian Resources Limited

- (AIM ticker: CPNR and Sydney ASX)

WEBSITE: www.carpathian.com.au



Carpathian Resources, based in Perth, Western Australia, is an oil and gas exploration and production company focusing on the Czech Republic and Slovakia. Its production assets are located in Northern Moravia of the Czech Republic, where it holds a 60% interest in the Janovice gas field, with a recently up-graded estimate of 4 billion cubic feet of gas-in-place, from which 34 million cubic feet are produced per day; this gives Carpathian £0.8 million per annum cash flow, net of operating costs, with an ultimate target 80% recovery over the field's life.

Other projects include the Morava project (90% interest) situated in the northern part of the Vienna Basin, a prolific oil and gas producing region, which offers interesting potential, enhanced by the OMV discovery of an estimated 140 billion cubic feet gas field only 20 km north of Vienna and 75 km south west of Morava. One or more Morava and Roznov project (90% interest) locations are likely to be selected for drilling in the coming months.

Carpathian is operating cash-flow positive before exploration expenditure.

REVIEW OF PORTFOLIO CONTINUED

Concorde Oil and Gas plc - (PLUS ticker: CDEP)

Concorde was established by a team of managers knowledgeable and well-experienced in operating in the Russian Federation oil and gas sector, with the intention to invest or acquire operational oil and gas assets in the Federation. With Russian production developing rapidly to meet increasing demand from both the domestic and export markets, smaller foreign operators are meeting considerably less interference from central officialdom than that experienced by major oil companies attractive opportunities.

Concorde was admitted to OFEX in September 2005 and as the market warmed to management's acquisitive intentions, the price of the company's shares soared to levels far beyond those at which management could reasonably expect to attract substantial new equity from City institutions to finance acquisition targets. By early summer Concorde had found its ideal first target, Pechora Oil, only to discover that the flow of available City funds had dried up so that insufficient capital was raised to complete the deal. As a consequence, Concorde's share price has been subjected to considerable uncertainty and volatility, as the market awaits news of success in its search for investment targets.

The Core Business plc - (AIM ticker: CORE)

WEBSITE: thecorebusiness.co.uk



The Core Business was founded with the long-term strategy of generating capital growth through creating, launching, and distributing personal care products and beauty brands from make-up and skincare to men's grooming and haircare; it was admitted to AIM in March 2006. It has won five new consultancy projects, including a contract with a major blue chip retailer, and launched a new sun-care brand in its first three months after flotation. It is experiencing considerable retailer interest as a result of its dynamic work in presenting its brands and consultancy services.

As one of Starvest's early diversification investments outside the natural resource sectors, its promising start has been encouraging.

Franchise Investment Strategies plc - (PLUS ticker: FIN)

Franchise Investment Strategies (FIS) was introduced to OFEX in August 2005 as a spin-off from the highly successful Myhome International, which had developed a franchise model applied to the home servicing sector with rapid adoption country-wide. This led to an assumption that the same franchise model should be adapted to other sectors, thus warranting the creation of a diversified investment holding company with equity stakes being taken in a number of particularly strong franchise businesses that might develop into marketable quoted companies. An early success saw, DTT (Driver Transport Training) brought to OFEX.

But with the rapid expansion of Myhome and consequential demands on management time, it became necessary to find new management with requisite experience; this has proved difficult. A liquidation of FIS has been considered, but not pursued. For the present the original FIS strategy remains, and viable solutions are under review. It holds equity stakes in both DTT and Myhome International.

Franconia Minerals Corporation

- (PLUS ticker: FRA and Toronto TSV-V)

WEBSITE: www.franconiaminerals.com



REVIEW OF PORTFOLIO CONTINUED

Alberta-based Franconia Minerals now has four active exploration properties in the continental USA. The most advanced is the Birch Lake property in the Duluth Complex of Minnesota, with an inferred 39 million tonnes PGM, and an inferred 51 million tonnes PGM at the nearby Maturi Resource. In the former a two-part drilling programme of in-fill and delineation drilling is underway to better quantify the resource and enable pre-feasibility level mine planning, so as to progress the project towards early feasibility determination and to assist with the State's environmental and permitting process. Both resources are considered viable at present metal prices, and are likely to be finally mined concurrently with processing at a central Franconia-owned plant.

The San Francisco property in Beaver County, south-west Utah is 100% Franconia-controlled, lying in a region of extensive past and present mining; this is a high-grade zinc target where a four hole, 6000 foot diamond-drilling programme was completed in July 2006.

The Red Knoll copper project in Arizona is a promising target. Under Franconia's exploration agreement this will become a 100% Franconia interest on the company spending \$2 million on a four year exploration programme.

Fundy Minerals Limited - (PLUS ticker: FUND)



WEBSITE: www.fundyminerals.com

New Brunswick-based Fundy is actively involved in the exploration of gold, diamonds and base metals in Canada and West Africa, and in the development of technology in mineral and metal extraction. The Company has a 100% interest in eight mineral exploration and development properties and a high-grade limestone deposit, all in the Province of New Brunswick. In Liberia where a significant quantity of alluvial diamonds have been extracted by artisans from its local property, Fundy is searching for their kimberlitic source.

Fundy listed on OFEX in April 2005 and has announced its intention to move to AIM in the near future. The past year saw it expanding its interests on all fronts: increasing its claim interests in Canada with strategic staking; purchasing the limestone interest; acquiring its 2000 sq km reconnaissance permit in Liberia, which it now plans to convert into an exploration permit; and agreeing to acquire from a private US company the 100 sq km Grand Bassa gold project, subject to Liberian Government approval.

Gippsland Limited - (AIM ticker: GIP and Sydney ASX)



WEBSITE: www.gippslandltd.com.au

Gippsland is an Australian-based international resource company, dually listed in Sydney and on AIM that focuses on world-scale projects that have often been overlooked by major resource groups. It prides itself on its proven ability to enter into equitable joint ventures with overseas nationals.

This has resulted in its prime assets becoming the 40 million tonne Abu Dabbab and the 98 million tonne Nuweibi tantalum-tin-feldspar projects in the Central Eastern Desert of Egypt, adjacent to the Red Sea. These projects already suggest one of the World's largest future tantalum suppliers. The close Egyptian relationship is further evidenced by the Wadi Allaqi project, located to the south-east of Aswan, which has yielded highly encouraging results from recent gold exploration work, with further drilling targets now being prepared.

The Abu Dabbab project alone has a capital requirement of \$65 million which is to be funded by a combination of debt and equity. The anticipated 650,000 lbs tantalum production has been pre-sold by Gippsland for at least the first 5 years.

REVIEW OF PORTFOLIO CONTINUED

Greatland Gold plc - (AIM ticker: GGP)WEBSITE: www.greatlandgold.com

Greatland Gold, a mineral exploration and development company focused on three gold projects covering a total area of some 300 sq km in Tasmania and Western Australia, was admitted to trading on AIM in early July 2006. The company's initial focus is on the Firetower project in Northern Tasmania, with an initial inferred resource of 90,000 ounces of gold with mining envisaged by open pit with a low stripping ratio. With a £300,000 budget allocated for Firetower exploration work to end November, Greatland plans to carry out immediate infill diamond drilling to delineate high grade zones.

Hidefield Gold plc - (AIM ticker: HIF)WEBSITE: www.hidefieldgold.com

Hidefield acquires and develops highly prospective mineral projects in North and South America. It has built a diverse portfolio of projects, some of which are directly held, as in South America and in Alaska, while others are held in independent self-funded associate companies situated in Canada, Nevada, and Arizona, the principal investments being the 31% owned Alto Ventures involved in Canadian projects and the 22% owned Columbus Gold involved in Stateside projects.

Its principal direct gold project interests are in Argentina where it is actively exploring the advanced stage East Santa Cruz projects. Assay results have led to a follow-up drilling programme on these properties and should enable sufficient resources to be outlined to lead to a pre-feasibility study for the development of its first gold mine. Hidefield also operates in joint venture with Minera Sud Argentina SA in exploring a number of gold licences in Patagonia. In Brazil its operations are located in the "Iron Triangle" area of the Minas Gerais province where it is evaluating the advance stage Cata Preta gold project.

Elsewhere it has a 60% interest in the Alaskan Golden Zone and South Estelle mineral project which, subject to its future expenditures, could become 100% owned. The Golden Zone has a measured and indicated resource of 250 k ounces of gold, 1.2 m ounces of silver and 6.1m ounces of copper.

India Star Energy plc - (AIM ticker: INDY)

India Star Energy is an investment company focused on gold, platinum group metals and uranium interests in Canada. It has made three investments to date: a 15% stake in Canadian Golden Dragon with interests in two high grade platinum and palladium properties in Ontario, the Norton Project and the Seagull Property; an interest in East West Resources, a Canadian exploration company with a portfolio of early-stage properties for platinum, palladium, gold and base metals, and a significant discovery of the "Lucy" copper-molybdenum deposit in Thunder Bay; and a 50% interest in a joint venture with East West to find and develop uranium properties, the first being a NW Ontario property called Magotte.

KEFI Minerals plc

Kefi Minerals plc is being formed to raise funds for mineral exploration in Turkey and Bulgaria. The tenements in these countries are being transferred from EMED plc (AIM - EMED), a mineral exploration company based in Cyprus. AIM admission is planned during December 2006.

REVIEW OF PORTFOLIO CONTINUED

Matisse Holdings plc - (AIM ticker: MAT)

Matisse was originally set up for investment in publishing businesses. It presently has its shares suspended through the application of AIM regulations governing inactive cash shells.

Myhome International plc - (PLUS ticker: MYH)

WEBSITE: www.myhomeplc.com



Myhome is a leading residential homecare services franchise business enjoying an impressive rate of expansion throughout the UK, while continuing to extend the range of services offered to its clients. These have been complemented by the acquisition of garden servicing providers, nicenstripey, ovenclean, surface doctor and autosheen which have brought to Myhome many new franchisees and further important cross-selling opportunities. The 300th franchise was recently signed.

Myhome has set up a Brisbane platform for rolling out its franchise businesses throughout Australia and later New Zealand, having also awarded a master franchise in Ireland, and has thus rapidly become a multi-branded, multi-product international residential franchise operation.

Red Rock Resources plc - (AIM ticker: RRR)

WEBSITE: www.rrrplc.com



Red Rock, in which Regency Mines hold a 61% equity interest, is a mineral exploration and development company focused on iron ore and manganese projects in Western Australia, Tasmania and Zambia. In Western Australia, the company is in joint venture partnership with Jupiter Mines, who have been undertaking exploration work on its Mt Ida and Mt Hope prospects, which has led to an important high grade iron discovery raising hopes for the prospects of the Mt Alfred property, 10 km to the north of Mt Ida.

The Chiwefwe licence in Zambia has yielded an identified 2.3 mt manganese resource, which after the completion of a sampling and trenching programme, has the potential to become a world class deposit with an indicated 21 mt resource. This is being followed up with 1,000 metres of diamond drilling; a fast track cheap production plan using bulldozers could then follow.

In addition, Red Rock has acquired the Clintheche and Machinga properties in Malawi, where the exploration target is uranium which, with various uranium licenses in the Northern Territory of Australia, has raised market comment of a possible later spinning-off of Red Rock's uranium interests.

Regency Mines plc - (AIM ticker: RGM)

WEBSITE: www.regency-mines.com



Regency Mines is a mineral exploration and investment company. In addition to its controlling interest in Red Rock Resources plc, it has interests in copper and nickel properties in Western Australia, Queensland, and Papua New Guinea (PNG). Preliminary exploration work has recently established a nickel and cobalt discovery at its 75% owned PNG project on the Mambare Plateau.

Exploration effort has been concentrated on its Bundarra copper-gold property in Queensland, and encouraging results obtained will lead to further exploration work being undertaken, including drilling. A new subsidiary, Range Mines Ltd has been established to hold acquired interests in zinc properties.

REVIEW OF PORTFOLIO CONTINUED

Sheba Exploration (UK) plc - (PLUS ticker: SHE)WEBSITE: www.shebagold.com

Sheba is a mineral exploration company operating solely in the Tigray State of Ethiopia, within the Northern Ethiopia Goldfields area, which was specifically chosen for its numerous gold occurrences, most of which have not been explored. Sheba holds a 100% interest in two mineral concessions for gold and base metals covering 118 sq km. In the Mereto concession, the company is drilling bedrock gold occurrences, while at Bhiza it has discovered gold and copper anomalies in soil and bedrock, which it is exploring in detail. Gold in soil anomalies of significant area and concentration have been discovered and are being followed up by rock sampling in trenches and pits.

Sheba has declared its medium-term strategy aims as being to build up its overall gold exploration portfolio, beginning with exploration at Bhiza over the next three years, while joint venturing mature properties to raise capital for resource estimation and new property acquisitions, and to initiate feasibility studies of small-scale mining of gold.

St Helen's Capital plc - (PLUS ticker: SHCP)WEBSITE: www.sthelenscapital.com

St Helen's Capital is a fully-integrated corporate financial services firm with a fast-growing list of clients formed by start-up, early-stage and fast growing companies.

Its services on offer include fund-raising, financial services recommendations, leasing, mergers and acquisitions, and business services advice. It sees itself as a one-stop shop for growth companies - a reliable experienced corporate adviser. It has thus rapidly established itself as a major conduit for fledgling companies seeking to access the PLUS (formerly OFEX) market, and more recently to an increasing extent, to the AIM market.

Sunrise Diamonds plc - (AIM ticker: SDS)WEBSITE: www.sunrisediamonds.com

Sunrise Diamonds is focused on the identification, acquisition, exploration and development of diamond projects on its present Finland operations in the Karelian Craton, a prospective block which, over the border in Russia, hosts world-class diamond deposits.

Formed in February 2005 to acquire the diamond exploration interests of Tertiary Minerals plc, and admitted to trading on AIM in June 2005, Sunrise met with early success, with the discovery of two new kimberlites in the Kuusamo cluster and the recovery of micro-diamonds from one of these kimberlites. By mid 2006 a total of seven kimberlites had been found.

Sunrise had acquired from BHP Billiton its diamond exploration database for the whole of Finland, which it has since analysed in detail to determine an extensive field programme to follow up twenty diamond targets in its areas, while identifying other possible acquisition opportunities elsewhere in Finland. Sunrise has signed a joint venture agreement with Canada's Nordic Diamonds Ltd, and is also evaluating other diamond exploration opportunities world-wide.



The pie chart on the left shows the focus of investment in mineral exploration.

BOARD OF DIRECTORS



R Bruce Rowan
- **CHAIRMAN AND CHIEF EXECUTIVE**

Bruce Rowan is well known in London as an investor in small mineral exploration start-up ventures. He has managed the Company's operations since January 2002. In addition he is chairman of AIM quoted Tiger Resource Finance plc, of Australian ASX quoted Sunvest Corporation Limited and a non-executive director of PLUS quoted Gledhow Investments plc.



Anthony C R Scutt
- **NON-EXECUTIVE DIRECTOR**

Tony is an experienced private investor and investment analyst as well as a director of investee companies Addworth plc, Agricola Resources plc and Beowulf Mining plc.



John Watkins, FCA
- **FINANCE DIRECTOR AND COMPANY SECRETARY**

John is a chartered accountant in practice who provides financial and company secretarial services to the Company. He is a director of other companies including AIM quoted Greatland Gold plc, Red Rock Resources plc and Regency Mines plc as well as PLUS quoted Franchise Investment Strategies plc and Lisungwe plc.

DIRECTORS' REPORT

The Directors present their sixth annual report on the affairs of the Company, together with the financial statements for the fourteen month period ended 30 September 2006. During the year, the Company changed its accounting reference date from 31 July.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Since Bruce Rowan was appointed Chief Executive on 31 January 2002, the Company's principal activity has been the use of his expertise to invest in small company new issues and to support pre IPO opportunities.

The Company's key performance indicators and developments during the period are given in the Chairman's statement and in the trade investment portfolio review.

KEY RISKS AND UNCERTAINTIES

This business carries with it a high level of risk and uncertainty, although the rewards can be outstanding. Often there is a lack of liquidity in the Company's investments, all of which are quoted on AIM or PLUS, such that the Company may have difficulty in realising the full value in a forced sale. Accordingly, an investment is only made after thorough research into both the management of and the business of the investment target, both of which are closely monitored thereafter. Furthermore, the Company limits the amount of each investment, both as to the absolute amount and percentage of the investee company. Details of other financial risks and their management are given in Note 18 to the financial statements.

RESULTS AND DIVIDENDS

The Company's results are described in the profit and loss account on page 19. The audited accounts for the period ended 30 September 2006 are set out on pages 19 to 30.

The Directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the period, together with all their beneficial interests in the shares of the Company at 30 September 2006 are as follows:

	30 September 2006			1 August 2005	
	Ordinary shares of £0.01 each	%	Share options (Note 1)	Ordinary shares of £0.01 each	Share options
Ronald Bruce Rowan	8,570,000	23.03	3,350,000	8,570,000	3,350,000
Anthony Charles Raby Scutt (Note 2)	160,000	0.43	550,000	160,000	550,000
John Watkins	835,000	2.24	1,675,000	835,000	1,675,000

Note 1: Options over 2,600,000 Ordinary shares have been issued under the 2002 share options scheme. On 14 February 2005 options over 2,975,000 Ordinary shares were issued under the 2005 share options scheme. Further information with respect to share options is given in Note 12 to the Financial Statements.

Note 2: Of the Ordinary shares registered in the name of Tony Scutt, 64,000 are beneficially held, 25,000 are held as a joint trustee with Mrs Amelia Robinson for The Ridgeway Investors Group and 71,000 are held as joint trustee with Mr Peter Rickwood for the Acumen Brigade Investors Group.

Apart from the interests disclosed above, no director held any other interest in the share capital of the Company during the year. No changes in the interests disclosed above have taken place since the year end.

DIRECTORS' REPORT CONTINUED

SUBSTANTIAL SHAREHOLDINGS

On 30 September 2006, the following were registered as being interested in 3% or more of the Company's ordinary share capital:

	Ordinary shares of £0.01 each	Percentage of issued share capital
Ronald Bruce Rowan	8,570,000	23.03%
Barclayshare Nominees Limited	5,675,918	15.25%
L R Nominees Limited	1,515,848	4.07%
T D Waterhouse Nominees (Europe) Limited	1,123,178	3.02%

SHARE CAPITAL

There were no share issues or other changes to the share capital during the period.

CHARITABLE AND POLITICAL DONATIONS

During the period there were no charitable or political contributions.

PAYMENT OF SUPPLIERS

The Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them. It is usual for suppliers to be paid within 14 days of receipt of invoice. At 30 September 2006, the Company's trade creditors were equivalent to 18 days' costs.

POST BALANCE SHEET EVENTS

There are no reportable post balance sheet events.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the light of changes to the way in which AIM is regulated, the directors are currently considering the most appropriate timing for publishing first accounts under IFRS. Whilst no decision has been made, it is possible that the Company will take advantage of the exemption available to AIM companies which do not prepare consolidated accounts and so defer the transition for the foreseeable future. The matter will be kept under review.

As the IFRS rules currently stand, transition may be deferred indefinitely.

AUDITOR

The Directors will place a resolution before the annual general meeting to reappoint Grant Thornton UK LLP as auditor for the coming year.

REMUNERATION

The remuneration of the Directors has been fixed by the Board as a whole. This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the period.

Details of directors' fees and of payments made for professional services rendered are set out in Note 5 to the financial statements, directors' emoluments.

DIRECTORS' REPORT CONTINUED

MANAGEMENT INCENTIVES

Other than the 2002 and 2005 share option schemes noted above, the Group has no bonus, share purchase, share option or other management incentive scheme. In accordance with legislation, the Company has introduced a stakeholders' pension plan for the benefit of any future employees.

CONTROL PROCEDURES

The Board has approved financial budgets and cash forecasts; in addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

By order of the Board

John Watkins
Finance Director and Company Secretary

30 October 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgments 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 are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- ◆ there is no relevant audit information of which the company's auditors are unaware; and
- ◆ the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF STARVEST PLC

We have audited financial statements of Starvest plc for the period ended 30 September 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, Review of Portfolio, Board of Directors and the Directors Report. We

consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 30 September 2006.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

30 October 2006

PROFIT AND LOSS ACCOUNT

FOR THE FOURTEEN MONTH PERIOD ENDED 30 SEPTEMBER 2006

	Notes	Period ended 30 September 2006	Year ended 31 July 2005
		£	£
Operating income		1,699,430	602,871
Direct costs		(97,613)	(33,800)
Gross profit		<u>1,601,817</u>	<u>569,071</u>
Administrative expenses		(266,683)	(205,038)
Profit on ordinary activities before taxation	2	<u>1,335,134</u>	<u>364,033</u>
Interest receivable		7,728	25,148
Interest payable		(4,334)	-
Profit before taxation		<u>1,338,528</u>	<u>389,181</u>
Tax on profit on ordinary activities	3	(400,000)	(85,000)
Profit on ordinary activities after taxation		<u>938,528</u>	<u>304,181</u>
Retained profit for the year		<u>938,528</u>	<u>304,181</u>
Earnings per share - basic	6	2.5 pence	0.8 pence
Earnings per share - fully diluted	6	2.2 pence	0.7 pence

There are no recognised gains or losses in either year other than the profit for the year.

All of the operations are considered to be continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

BALANCE SHEET

AS AT 30 SEPTEMBER 2006

	Note	30 September 2006		31 July 2005	
		£	£	£	£
Fixed assets					
Investments	8		2		435,794
Current assets					
Debtors	9	107,902		50,538	
Trade investments	10	3,082,898		1,578,456	
Cash at bank		-		193,693	
		<u>3,190,800</u>		<u>1,822,687</u>	
Creditors - amounts due within one year	11	(553,369)		(559,576)	
Net current assets			<u>2,637,431</u>		<u>1,263,111</u>
Total assets less current liabilities			<u>2,637,433</u>		<u>1,698,905</u>
Share capital and reserves					
Called-up share capital	12	372,173		372,173	
Share premium account	13	2,026,396		2,026,396	
Profit and loss account	13	<u>238,864</u>		<u>(699,664)</u>	
Equity shareholders' funds	14		<u>2,637,433</u>		<u>1,698,905</u>

The accounts on pages 19 to 30 were approved by the Board of Directors on 30 October 2006 and signed on its behalf by:

R Bruce Rowan
Chairman and Chief Executive

John Watkins
Finance Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2006

	Notes	Period ended 30 September 2006	Year ended 31 July 2005
		£	£
Net cash outflow from operating activities	15	(234,249)	(430,013)
Returns on investment and servicing of finance:			
Interest receivable		7,728	25,148
Interest payable		<u>(4,334)</u>	<u>-</u>
		3,394	25,148
Taxation paid		<u>(86,472)</u>	<u>(7,859)</u>
Decrease in cash in the year	16	<u>(317,327)</u>	<u>(412,724)</u>

The accompanying notes and accounting policies form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2006

1 STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the previous year. Financial Reporting Standards No 21 'Events occurring after the balance sheet date', No 22 'Earnings per share' and the presentation elements of No 25 'Financial Instruments: Presentation and Disclosure' are applicable for the first time during this period. Their adoption has given rise to no significant effects in the Company's financial statements.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Subsidiaries

During the period, the Company had a 100% interest in two subsidiaries, The Web Shareshop Limited and Starvest Nominees Limited. As both companies were dormant throughout the period, the Company has not prepared group accounts as in the past. Therefore, these financial statements present information about the Company as an individual entity and not about the group.

Operating income

Operating income represents amounts receivable for trade investment sales. Operating income is recognised on the date of sale contract.

Direct costs

Direct costs include the book cost of investments sold during the year together with any impairments in value of investments recognised in the year.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures and fittings	20% straight line
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Investments

Fixed asset investments are stated at cost less any provision for impairment. Current asset trade investments are stated at the lower of cost or mid-market valuation; profits and losses, including profits arising from warrants held are accounted for as realised.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax

Deferred tax is provided on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date.

Options

No charge to profit is made in respect of the options over the Company's shares held by Directors.

NOTES TO FINANCIAL STATEMENTS CONTINUED

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit	11,888	10,825
Auditors' remuneration - non-audit services	20,053	11,050
Directors' emoluments	<u>107,642</u>	<u>97,340</u>

Auditors' remuneration for non-audit services provided during the year comprises nominated advisor fees of £9,333, tax compliance service fees of £2,500 and tax advisory fees of £8,220; (2005: nominated advisor fees of £8,000 and tax compliance fees of £3,050).

3 TAXATION

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Current year taxation		
UK corporation tax at 30% (2005: 30%) on profits for the year	<u>400,000</u>	<u>85,000</u>
The tax assessed is lower than the standard rate of corporation tax in the UK at 30% (2005: 30%). The differences are explained below:		
Profit on ordinary activities before taxation	<u>1,338,528</u>	<u>389,181</u>
Profit on ordinary activities at 30% (2005: 19%)	401,598	116,754
Effect of:		
Expenses not deductible for tax purposes	40	58
Marginal relief	(995)	(30,171)
Prior year adjustment	(643)	(1,641)
Current tax charge for the year	<u>400,000</u>	<u>85,000</u>

4 STAFF COSTS

The Company had no employees during the year or the previous year; the two executive directors provide professional services as required on a part time basis.

NOTES TO FINANCIAL STATEMENTS CONTINUED

5 DIRECTORS' EMOLUMENTS

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
R B Rowan	52,000	48,000
A C R Scutt	16,000	14,000
J Watkins	39,462	35,340
	<u>107,462</u>	<u>97,340</u>

Amounts paid to third parties

Included in the above are the following amounts paid to third parties:

- ◆ In respect of Bruce Rowan, £28,000 (2005: £24,000) of the above remuneration was paid through his business, in respect of professional services, and £24,000 (2005: £24,000) was paid to Sunvest Corporation Limited, a company in which he is a director and shareholder, in respect of management services.
- ◆ In respect of John Watkins, FCA, £29,462 (2005: £25,340) of the above remuneration was paid through his business, in respect of professional services.

Pensions

No pension benefits are provided for any director.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary shares in the company granted to or held by the directors.

Details of share options held by the directors are set out in Note 12.

Other transactions involving directors

In addition to the remuneration disclosed above, £14,000 (2005: £12,000) was paid to Bruce Rowan, through his business, for the provision of office facilities.

6 EARNINGS PER SHARE

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
The basic earnings per share is derived by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of shares in issue.		
Profit for the period	<u>938,528</u>	<u>304,181</u>
Weighted average number of Ordinary shares of £0.01 in issue	37,217,259	37,217,259
Earnings per share - basic	<u>2.5 pence</u>	<u>0.7 pence</u>

NOTES TO FINANCIAL STATEMENTS CONTINUED

Earnings per share continued	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Weighted average number of Ordinary shares of £0.01 in issue inclusive of outstanding options	41,178,423	41,178,423
Earnings per share - fully diluted	<u>2.2 pence</u>	<u>0.7 pence</u>

7 TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
At 1 August 2005	1,250
Additions during the period	-
At 30 September 2006	<u>1,250</u>
Depreciation	
At 1 August 2005	1,250
Charge for the period	-
At 30 September 2006	<u>1,250</u>
Net book amount	
At 30 September 2006	-
At 31 July 2005	<u>-</u>

8 FIXED ASSET INVESTMENTS

	Total £
Cost	
At 1 August 2005	1,427,575
Disposals during the period	<u>(1,427,575)</u>
At 30 September 2006	-
Amounts written off	
At 1 August 2005	991,781
Disposals during the period	<u>(991,781)</u>
At 30 September 2006	-
Net book amount	
At 30 September 2006	-
At 31 July 2005	<u>435,794</u>

The above disposal relates to the former subsidiary, The Web Sharesop Limited, liquidated during the period. This disposal gave rise to no gain and no loss.

NOTES TO FINANCIAL STATEMENTS CONTINUED

Fixed asset investments continued

The Company holds more than 20% of the share capital of the following companies:

Company	Country of registration	Class	Proportion held by group	Nature of business
Starvest Nominees Limited	England & Wales	Ordinary	100%	Dormant

The Company's subsidiary, The Web Shareshop Limited, appointed a liquidator on 19 June 2006 and the liquidation proceedings were concluded at a final general meeting held on 29 September 2006.

9 DEBTORS

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Prepayments	107,902	50,538
Total	107,902	50,538

10 CURRENT ASSET INVESTMENTS, AT COST OR MARKET VALUE IF LOWER

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Publicly traded investments at cost	3,153,061	1,458,506
Unrealised loss	(70,163)	(30,050)
	3,082,898	1,428,456
Unquoted investments	-	150,000
	3,082,898	1,578,456
The market value of these investments was:		
Quoted on AIM	5,732,312	4,801,208
Quoted on PLUS	6,360,677	1,548,919
Unquoted investments at cost	-	150,000
Total	12,092,989	6,500,127

Trade investments

The Company has holdings in the companies described in the Investment Report on pages 5 to 12.

NOTES TO FINANCIAL STATEMENTS CONTINUED

11 CREDITORS

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Amounts falling due within one year:		
Bank overdraft	123,634	-
Trade creditors	13,176	-
Corporation tax	400,643	86,641
Social security and other taxes	-	739
Accruals	15,914	36,402
Owing to group undertakings	2	435,794
Total	<u>553,369</u>	<u>559,576</u>

The bank overdraft is secured by a charge over certain of the Company's investments.

12 SHARE CAPITAL

The authorised share capital of the Company and the called up and fully paid amounts were as follows:

<i>Authorised</i>	Number	Nominal £
As at 31 July 2005 and 30 September 2006, Ordinary shares of £0.01 each	250,000,000	2,500,000
<i>Called up, allotted, issued and fully paid</i>		
As at 31 July 2005 and 30 September 2006	37,217,259	372,173

The Company has established share option schemes: on 27 June 2002 the 2002 share option scheme; and on 14 February 2005 the 2005 share option scheme. Options have been granted under both schemes to subscribe for ordinary shares as follows:

	At 1 August 2005	Granted during the year	At 30 Sept 2006	Exercise price	Date from which exercisable	Expiry date
RB Rowan	1,400,000	-	1,400,000	5 pence	27 June 2002	27 June 2007
RB Rowan	200,000	-	200,000	6 pence	18 November 2003	27 June 2007
RB Rowan	1,750,000	-	1,750,000	15 pence	14 February 2005	14 February 2010
ACR Scutt	200,000	-	200,000	6 pence	18 November 2003	27 June 2007
ACR Scutt	350,000	-	350,000	15 pence	14 February 2005	14 February 2010
J Watkins	700,000	-	700,000	5 pence	27 June 2002	27 June 2007
J Watkins	100,000	-	100,000	6 pence	18 November 2003	27 June 2007
J Watkins	875,000	-	875,000	15 pence	14 February 2005	14 February 2010
	<u>5,575,000</u>		<u>5,575,000</u>			

The market value of shares at 30 September 2006 was 17.25p (2005: 8.5p) and the range during the period year was 7.5p to 29.5p (2005: 8.25p to 14.25p), the average for the year being 18.75p (2005: 10.9p).

NOTES TO FINANCIAL STATEMENTS CONTINUED

13 RESERVES

The movements on reserves during the year were as follows:

	Share premium account £	Profit and loss account £
As at 31 July 2005	2,026,396	(699,664)
Profit for the period	-	938,528
As at 30 September 2006	<u>2,026,396</u>	<u>238,864</u>

14 MOVEMENT ON EQUITY SHAREHOLDERS' FUNDS

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Profit for the period	<u>938,528</u>	<u>304,181</u>
Net increase in shareholders' funds	938,528	304,181
Opening shareholders' funds	<u>1,698,905</u>	<u>1,394,724</u>
Closing equity shareholders' funds	<u>2,637,433</u>	<u>1,698,905</u>

15 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Period ended 30 September 2006 £	Year ended 31 July 2005 £
Operating profit	1,335,134	364,033
Unrealised trade investment loss	40,113	18,800
Decrease/(increase) in debtors	42,635	(27,811)
(Decrease)/increase in creditors	(7,577)	18,364
Increase in trading investments at cost	<u>(1,644,554)</u>	<u>(803,399)</u>
Net cash outflow from operating activities	<u>(234,249)</u>	<u>(430,013)</u>

NOTES TO FINANCIAL STATEMENTS CONTINUED

16 ANALYSIS AND RECONCILIATION OF NET FUNDS

	31 July 2005 £	Cash flow £	30 September 2006 £
Cash in hand and at bank/(bank overdraft)	193,693	(317,327)	(123,634)
		Period ended 30 September 2006 £	Year ended 31 July 2005 £
Decrease in cash in period		(317,327)	(412,724)
Movement in net funds in the period		(317,327)	(412,724)
Net funds at 1 August 2005		193,693	606,417
Net (debt)/funds at 30 September 2006		(123,634)	193,693

17 COMMITMENTS

As at 30 September 2006, the Company had entered into a commitment to invest in a new issue of securities by a company expecting to be admitted to AIM. The maximum commitment amounted to £300,000 of which £100,000 had been paid in advance (2005: £125,000 of which £40,000 was paid in advance).

18 FINANCIAL INSTRUMENTS

The Company uses financial instruments, comprising cash, bank overdraft, trade investments and trade creditors, which arise directly from its operations. The main purpose of these instruments is to further the company's operations.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all the following disclosures.

Trade investments

Trade investments are stated at cost less any provision for impairment. The difference between fair and book value is set out in Note 10. The Board meets bi-monthly to consider investment strategy in respect of the group's portfolio.

Interest rate risk

The Company finances its operations through retained profits and new investment funds raised. The Board utilises short term floating rate interest bearing accounts to ensure adequate working capital is available whilst maximising returns on deposits.

Liquidity risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

NOTES TO FINANCIAL STATEMENTS CONTINUED

Financial instruments continued**Borrowing facilities**

Currently the Company has an overdraft facility of £750,000 arranged with its bankers (2005: £nil).

Currency risk

The Company trades substantially within the United Kingdom and all transactions are denominated in Sterling. Consequently, the group is not significantly exposed to currency risk.

Fair values

Except where shown above, the fair values of the group's financial instruments are considered equal to the book value.

19 CONTROL

There is considered to be no controlling related party.

NOTICE OF ANNUAL GENERAL MEETING

STARVEST PLC

Notice is hereby given that the sixth Annual General Meeting of STARVEST plc will be held at Jurys Kensington Hotel, 109-113 Queens Gate, South Kensington, London SW7 5LR on Tuesday 12 December 2006 at 3.00 pm for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions in the case of resolutions 1 to 3 and as special resolutions in the case of resolutions 4 to 6.

ORDINARY BUSINESS

- 1 To receive the report of the Directors and the audited financial statements of the Company for the period ended 30 September 2006.
- 2 To re-appoint Anthony Charles Raby Scutt retiring by rotation as a Director in accordance with the Articles of Association at the conclusion of the meeting and, being eligible, offers himself for re-election as a director of the Company.
- 3 To re-appoint Grant Thornton UK LLP as auditors of the Company to act until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

SPECIAL BUSINESS

- 4 THAT for the purposes of section 80 of the Companies Act 1985 ("the Act"), the Directors be and they are hereby generally and unconditionally authorized to exercise all the powers of the Company to allot any relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of £2,072,077, provided that:
 - a) this authority shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling fifteen months from the date of passing of this Resolution, unless previously varied, revoked or renewed by the Company in General Meeting;
 - b) the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
 - c) all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.
- 5 THAT the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by resolution 4 as if section 89(1) of the Act did not apply to any such allotment provided that:
 - a) such power shall be limited to the allotment of equity securities, in connection with a rights issue, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange or otherwise in any territory; and for the purposes of this resolution "rights issue" means an offer of equity securities to holders of ordinary shares in proportion to their respective holdings (as nearly as may be);
 - b) such power shall be limited to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £2,072,077;

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

- c) such power shall expire at the conclusion of the next Annual General Meeting of the Company unless previously varied, revoked or renewed by the Company in General Meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired; and
 - d) all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.
- 6** THAT the Company be unconditionally and generally authorised to make market purchases (as defined by the Companies Act 1985 Section 163(3)) of Ordinary shares of £0.01 each in its capital, provided that:
- a) the maximum number of shares that may be so acquired is 5,600,000, being a number that approximates to 15% of the issued ordinary share capital of the Company at the date of the meeting;
 - b) the minimum price that may be paid for the shares is £0.01 per share, being the nominal value per share;
 - c) the maximum price that may be so paid per share is an amount equal to 20% higher than the average of the middle market quotations per share as derived from the Daily List of the Alternative Investment Market of the London Stock Exchange for the fifteen business days immediately preceding the day on which the shares are purchased; and
 - d) the authority conferred by this resolution shall expire on the date falling eighteen months from the date of passing of this resolution but not so as to prejudice the completion of a purchase contracted before that date.

If you are a registered holder of Ordinary Shares in the Company, whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint one or more persons to attend and vote on a poll on your behalf. A proxy need not be a member of the Company.

A form of proxy is provided, which may be sent to the Company's registrar. This may be sent by facsimile transfer to 01252 719232, or by mail using the reply paid response tear-out sheet to:

The Company Secretary
 Starvest plc
 c/o Share Registrars Limited
 Craven House, West Street
 Farnham, Surrey
 GU9 7EN

In either case, the signed proxy must be received by 3.00 pm on Friday 7 December 2006.

By Order of the Board
 John Watkins
 Director and Company Secretary
 30 October 2006

Registered Office:
 123 Goldsworth Road
 Woking
 Surrey
 GU21 6LR

COMPANY SHARE PRICE INFORMATION AND ANNOUNCEMENTS

Share price information is available from the following information providers:

- ◆ Financial Times
- ◆ The Times
- ◆ Evening Standard
- ◆ London Stock Exchange website: www.londonstockexchange.com using EPIC: SVE
- ◆ Price information relating to investee companies traded on AIM is also available from the London Stock Exchange website using the EPIC quoted in the investment report on pages 5 to 12. Prices relating to investee companies quoted on PLUS are available at www.plusmarketsgroup.com.

Company announcements are available from:

- ◆ Company website: www.starvest.co.uk and by email alert for those who register on the site.
- ◆ London Stock Exchange website: www.londonstockexchange.com using EPIC: SVE

Company quarterly updates, interim and annual reports are mailed to all Shareholders and others who may request them from the Company Secretary by writing to the registered office or by registering on the website: www.starvest.co.uk.

Expected timetable for 2006/07:

- ◆ January Chairman's update by 15 January 2007
- ◆ Replacement of 'Web Shareshop' share certificates during early 2007; in the meantime, certificates in the name of Web Shareshop (Holdings) plc remain valid
- ◆ Interim report to 31 March 2007 by 23 April 2007
- ◆ July Chairman's update by 16 July 2007

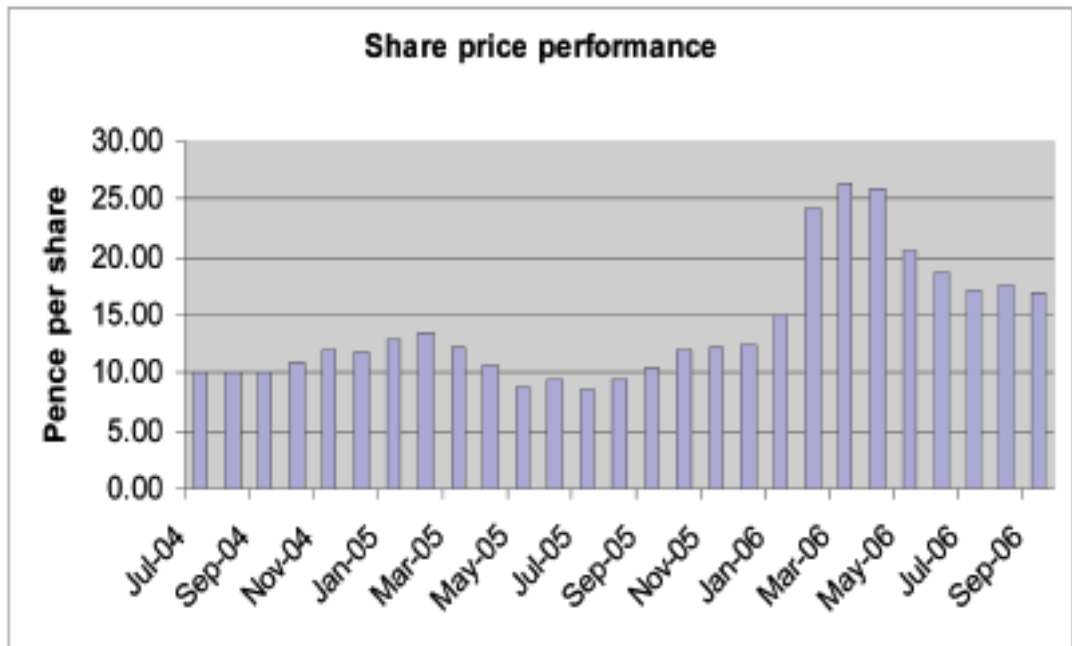
Starvest net asset value and share price:

For most of the year, the Starvest share price has traded at a discount to net asset value in the range of 40% to 50%.

Taxation of Shareholders: It must always be the personal responsibility of each Shareholder to deal with all matters of personal taxation and to take professional advice as necessary.

However, so as to assist Shareholders, in response to questions the Company has taken professional advice concerning the tax status of private investors holding the Company's shares. In their letter dated 2 August 2006, HM Revenue & Customs stated "that the company may be regarded as a qualifying company for taper relief purposes for the period April 2000 to date."

So long as this position maintains, the Company's shares may be regarded as business assets and so qualify for enhanced taper relief.



VENUE FOR AGM

Jurys Kensington Hotel, 109-113 Queens Gate, South Kensington, London SW7 5LR
 (Jurys Kensington Hotel is located within a five minute walk of South Kensington tube station.)



Jurys Kensington Hotel,
 109-113 Queens Gate,
 South Kensington,
 London,
 UK,
 SW7 5LR

Tel: (+44) 20 7589 6300
 Fax: (+44) 20 7581 1492

www.jurys.co.uk/kensington-hotel



FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING

I, a Member of STARVEST plc (hereinafter referred to as 'the Company') and entitled to vote, hereby appoint the Chairman, or _____ as my proxy to attend and vote for me and on my behalf at the second Annual General Meeting of the Company to held on 12 December 2006 at 3.00 pm and at any adjournment thereof.

(Please indicate below how you wish your votes to be cast. If the form of proxy is returned without any indication as to how the proxy should vote on any particular matter, the proxy will vote as they think fit.)

Resolution number	ORDINARY BUSINESS	<i>Please delete as appropriate</i>
1	To receive the report and the audited financial statements for the period ended 30 September 2006	For/ Against/Abstain
2	To re-appoint Anthony Charles Raby Scutt retiring as a Director	For/ Against/Abstain
3	To re-appoint Grant Thornton UK LLP as auditors of the Company and to authorise the Directors to determine their remuneration	For/ Against/Abstain
SPECIAL BUSINESS		
4	To authorise the Company to allot relevant securities	For/ Against/Abstain
5	To authorise the Company to allot relevant securities for cash	For/ Against/Abstain
6	To authorise the Company to make purchases of its Ordinary shares	For/ Against/Abstain

Signature:	
Date:	
Full name:	
Address:	

This form of proxy may be sent to the Company's registrar by facsimile transfer to: 01252 719232, or, by mail using the reply paid response tear-out sheet to:

The Company Secretary
Starvest plc
c/o Share Registrars Limited
Craven House, West Street
Farnham, Surrey
GU9 7EN

In either case, the signed proxy must be received by 3.00 pm on Friday 7 December 2006.

SECOND FOLD

LICENCE No. GI 2155

**The Company Secretary, Starvest plc
c/o Share Registrars Limited
Craven House
West Street
Farnham
Surrey
GU9 7BR**

FIRST FOLD

THIRD FOLD AND TUCK IN

www.starvest.co.uk